

County of Gladwin, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2018

Appendix #1

COUNTY OF GLADWIN, MICHIGAN

BOARD OF COMMISSIONERS

Terry L Walters
Chairman

Charles Hinman

Commissioner

Don Brigel

Commissioner

Sharron Smith

Commissioner

Sandra Aultman

Commissioner

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Clerk

Christy VanTiem
Treasurer

Ann Manning-Clayton
Register of Deeds

Robert Evans
Drain Commissioner

Michael Shea
Sheriff

Aaron W. Miller
Prosecuting Attorney

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ANDERSON, TACKMAN & COMPANY, PLC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
County of Gladwin
Gladwin, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Gladwin, Michigan, as of and for the year ending December 31, 2018, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Gladwin County Road Commission and Gladwin City-County Transit, which represent 89 percent, 90 percent, and 94 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gladwin County Road Commission and Gladwin City-County Transit, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Commissioners
County of Gladwin

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gladwin, Michigan, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement benefit systems and budgetary comparison information on pages 4 through 11, pages 69 through 71, and pages 72 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Gladwin, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

To the Board of Commissioners
Gladwin County

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2019, on our consideration of the County of Gladwin, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Gladwin, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Gladwin, Michigan's internal control over financial reporting and compliance.



**Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan**

June 13, 2019

Management's Discussion and Analysis

As management of Gladwin County, Michigan (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the year then ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

Financial Highlights

- The net position of the County was a deficit of \$7,272,864 as of December 31, 2018. The negative unrestricted net position resulted from the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, and the effect of the OPEB liability on the County's net position.
- The County's total net position decreased by \$574,161 during 2018.
- As of the close of the current year, the County's governmental funds (this includes the general fund, special revenue, debt service, and capital projects funds) reported combined ending fund balances of \$5,359,870, a decrease of \$345,196 in comparison with the prior year. Approximately 11.4% of this total amount, or \$612,341, is available for spending at the County's discretion (assigned or unassigned fund balance).
- At the end of the current year, the general fund had an unassigned fund balance of \$612,341 or 6.2% of total general fund expenditures.
- The County's total long-term debt, excluding delinquent tax notes, remained the same during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of five components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements, 4) required supplementary information, and 5) other information. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the County's assets, liabilities, and deferred inflows/outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected special assessments and accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, community and economic development, recreation and culture, and other functions. The business-type activities of the County include the various delinquent tax revolving and reversion funds.

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate Road Commission, Department of Public Works, Drain Commission, Land Bank Authority, and City-County Transit for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Gladwin County Building Authority, although legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 31 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Emergency Medical Services Fund, E-911 Millage Fund, Wireless E-911 Fund, and Senior Citizens Program Fund, each of which is considered to be a major fund. Data from the other 26 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison schedules for each of the major funds have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 14-15 of this report.

Proprietary funds. The County maintains one type of proprietary fund: enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its various delinquent tax revolving and reversion fund operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Tax Revision and the 2017 Tax Revolving Fund, both of which are considered to be major funds. Data from the other proprietary funds are combined in separate single aggregated presentations in the proprietary fund financial statements. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 17 - 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 68 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's defined benefit pension plan, its postemployment health benefits schedule of funding progress and employer contributions, and the major funds' budgetary comparison schedules. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. As the following table demonstrates, the County's net position was a deficit of \$7,272,864 as of December 31, 2018.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current Assets	\$ 8,318,668	\$ 8,328,943	\$ 3,587,790	\$ 3,178,122	\$ 11,906,458	\$11,507,065
Capital Assets	828,754	665,089	-	-	828,754	665,089
Total Assets	9,147,422	8,994,032	3,587,790	3,178,122	12,735,212	12,172,154
Deferred Outflows of Resources	904,286	666,990	-	-	904,286	666,990
Current Liabilities	344,320	258,560	1,145,246	845,000	1,489,566	1,103,560
Noncurrent Liabilities	16,879,738	10,805,387	-	-	16,879,738	10,805,387
Total Liabilities	17,224,058	11,063,947	1,145,246	845,000	18,369,304	11,908,947
Deferred Inflows of Resources	2,543,058	3,396,911	-	-	2,543,058	3,396,911
Net Position						
Net Investment in Capital Assets	828,754	665,089	-	-	828,754	665,089
Restricted	4,620,245	4,749,158	-	-	4,620,245	4,749,158
Unrestricted	(15,164,407)	(10,214,083)	2,442,544	2,333,122	(12,721,863)	(7,880,961)
Total Net Position	\$ (9,715,408)	\$ (4,799,836)	\$ 2,442,544	\$ 2,333,122	\$ (7,272,864)	\$ (2,466,714)

The largest portion of the County's net position, \$4,620,245, represents resources that are subject to external restrictions on how they may be spent. An additional portion of net position, \$828,754 reflects the County's investment in capital assets (i.e., land, buildings and improvements, vehicles and boats, and equipment and furniture); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The final net position, a deficit of \$(12,721,863) is considered unrestricted. Of this amount, \$(4,195,042) represents negative unrestricted net position created by the recording the net OPEB obligation as required by GASB 75.

As of December 31, 2018, the County is reporting a negative balance in net position for the government as a whole.

Gladwin County's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for Services	\$ 2,704,358	\$ 2,432,841	\$ 651,544	\$ 801,694	\$ 3,355,902	\$ 3,234,535
Operating Grants and Contributions	1,187,542	1,141,601	-	-	1,187,542	1,141,601
General Revenues						
Taxes	6,408,353	6,246,240	-	-	6,408,353	6,246,240
State Revenue Sharing	520,220	515,814	-	-	520,220	515,814
Investment Earnings	38,201	35,041	5,097	3,754	43,298	38,795
Rent	85,241	91,000	-	-	85,241	91,000
Other Income	-	173,644	-	-	-	173,644
Total Revenues	10,943,915	10,636,181	656,641	805,448	11,600,556	11,441,629
Program Expenses						
Legislative	253,729	181,513	-	-	253,729	181,513
General Government	2,466,306	2,265,027	-	-	2,466,306	2,265,027
Judicial	1,640,598	1,655,193	-	-	1,640,598	1,655,193
Public Safety	4,855,506	4,548,097	-	-	4,855,506	4,548,097
Public Works	28,139	1,168	-	-	28,139	1,168
Health and Welfare	1,887,375	1,924,135	-	-	1,887,375	1,924,135
Community and Economic Development	125,267	94,138	-	-	125,267	94,138
Recreation and Culture	2,711	24,449	-	-	2,711	24,449
Other Expenses	646,745	533,832	-	-	646,745	533,832
Delinquent Tax	-	-	117,187	54,065	117,187	54,065
Tax Foreclosure	-	-	151,154	246,116	151,154	246,116
Total Expenses	11,906,376	11,227,552	268,341	300,181	12,174,717	11,527,733
Excess (Deficiency)	(962,461)	(591,371)	388,300	505,267	(574,161)	(86,104)
Transfers	278,878	186,288	(278,878)	(186,288)	-	-
Changes in Net Position	(683,583)	(405,083)	109,422	318,979	(574,161)	(86,104)
Net Position - Beginning (As Restated)	(9,031,825)	(4,394,753)	2,333,122	2,014,143	(6,698,703)	(2,380,610)
Net Position - Ending	\$ (9,715,408)	\$ (4,799,836)	\$ 2,442,544	\$ 2,333,122	\$ (7,272,864)	\$ (2,466,714)

The County's net position decreased by \$574,161 during the current year; a \$683,583 decrease for governmental activities and a \$109,422 increase for business-type activities.

Governmental activities. Governmental activities decreased the County's net position by \$683,583. Key elements of this decrease are as follows:

- Revenues increased compared to the prior year by \$307,734, or 2.9%. This was primarily a result of an increase in charges for services collected, and taxes.
- Expenses increased compared to the prior year by \$678,824 or 6%.
- Net transfers received from business-type activities increased compared to the prior year by \$92,590 or 49.7%. This was a result of transfers received from the various delinquent tax funds in the current year.
- Expense from Pension and OPEB obligation decreased net position by \$490,621.

Business-type activities. Business-type activities increased the County's net position by \$109,422. Key elements of this increase are as follows:

- Revenues decreased compared to the prior year by \$148,807, or 18.5%. The decrease was a result of slightly lower collection fees, proceeds of land sales, interest on property taxes, and other various fees.
- Expenses decreased compared to the prior year by \$31,840 or 10.6%. The decrease was a result of lower board of review adjustments, fees, and charges.
- Net transfers to governmental activities increased by \$92,590, or 49.7%.

Financial Analysis of the County's Funds. As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of County's net resources available for spending at the end of the year.

As of December 31, 2018, the County's governmental funds reported combined ending fund balances of \$5,359,870, a decrease of \$345,196 in comparison with the prior year. Approximately 89% of the ending fund balances is subject to the underlying limitations applicable to the particular special revenue, debt service, or capital projects fund and is not available for new spending because it has already been spent or has been restricted or assigned for various functions/activities. The remaining 11% of the total fund balance amount constitutes unassigned fund balance, which is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. At the end of the current year, the unassigned fund balance of the General Fund was \$612,341 while total fund balance amounted to \$659,752. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 6.2% of total General Fund expenditures, while total fund balance represents approximately that same amount.

The fund balance of the County's General Fund decreased by \$246,251 during the current year. This decrease resulted from the combination of a 2.4% increase in revenue, an 8.8% increase in expenditures, and a 38% increase in the net transfers in of the General Fund.

The Emergency Medical Services fund had a decrease in fund balance for the current year of \$199,095, for an ending total of \$2,076,147.

The E-911 Millage fund had a decrease in fund balance for the current year of \$103,528 for an ending total of \$696,876. This decrease was primarily the result of transfers out and expenditures in excess of property taxes collected.

The Wireless E-911 fund had an increase in fund balance for the current year of \$155,683 for an ending total of \$955,773. This increase was primarily the result of a decrease in expenditures compared to 2017.

The Senior Citizens Program fund had a decrease in fund balance for the current year of \$54,353 for an ending total of \$7,806. This decrease was primarily the result of expenditures in excess of property taxes collected.

Proprietary funds. The County's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Tax Revision fund at the end of the year amounted to \$665,145, unrestricted net position of the Unallocated Tax Revolving fund at the end of the year amounted to \$1,059,025, and unrestricted net position of the 2018 Tax Revolving fund at the end of the year amounted to \$67,240. The combined unrestricted net position of the non-major enterprise funds was \$651,134 at the end of the year. The Tax Revision fund had an increase in net position for the year of \$27,695. The Unallocated Tax Revolving fund had an increase in net position for the year of \$832,656. The 2018 Tax Revolving fund had an increase in net position for the year of \$67,240. The combined decrease in net position of the non-major enterprise funds was \$818,169 for the year. The increases in the enterprise funds were largely a result of decreased expenses of the various funds.

General Fund Budgetary Highlights

Overall during the year, General Fund revenues (revenue and other financing sources) were less than the budgetary estimates by \$251,611 or 2%. This was caused primarily by a negative variance with the budget of charges for services and reimbursements. Expenditures (expenditures and other financing uses) were less than budgetary estimates overall by \$2,022 or 0.02%. This was caused primarily by spending close to budgeted amounts in most line items. This activity resulted in a decrease in fund balance of \$246,251.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of December 31, 2018, amounted to \$828,754 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and furniture, and vehicles and boats.

	Governmental Activities	
	2018	2017
Land	\$ 297,231	\$ 297,231
Buildings and Improvements	115,703	105,288
Equipment and Furniture	248,576	139,254
Vehicles and Boats	167,244	123,316
Capital Assets, Net	<u>\$ 828,754</u>	<u>\$ 665,089</u>

Additional information on the County's capital assets can be found in Note 4 of this report.

County of Gladwin, Michigan

Management's Discussion and Analysis December 31, 2018

Long-term debt. At the end of the current year, the primary government had total debt outstanding (not including vested employee benefits) of \$1,283,714.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Vested Employee Benefits	\$ 202,931	\$ -	\$ 9,217	\$ 193,714
Business-type Activities:				
GO Limited Tax Notes	845,000	-	845,000	-
GO Limited Tax Notes	<u>-</u>	<u>2,100,000</u>	<u>1,010,000</u>	<u>1,090,000</u>
Total Long-Term Debt for the Primary Government	<u>\$ 1,047,931</u>	<u>\$ 2,100,000</u>	<u>\$ 1,864,217</u>	<u>\$ 1,283,714</u>

A more detailed discussion of the County's long-term debt obligations is presented in Note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's 2019 budget:

- Budget cuts are necessary for the county to obtain a positive change in overall fund balance for 2019.

Contacting the County's Management

This financial report is designed to provide a general overview of the County's finances to all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Gladwin County Clerk's Office, 401 West Cedar Avenue, Gladwin, Michigan 48624.

Basic Financial Statements

County of Gladwin, Michigan

Statement of Net Position December 31, 2018

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
ASSETS:				
Cash and Equivalents	\$ 5,273,161	\$ 2,220,026	\$ 7,493,187	\$ 4,251,299
Investments	281,157	-	281,157	1,673,848
Accounts Receivable	79,982	-	79,982	2,715,476
Special Assessments Receivable	-	-	-	1,535,613
Taxes Receivable	2,463,579	1,367,764	3,831,343	-
Due from Other Governmental Units	220,789	-	220,789	290,647
Inventories	-	-	-	370,812
Prepaid Items	-	-	-	178,404
Cash on Deposit with Agent	-	-	-	148,577
Net Pension Asset	-	-	-	53,476
Capital Assets (Not Depreciated)	297,231	-	297,231	4,761,803
Capital Assets (Net of Accumulated Depreciation)	531,523	-	531,523	29,153,862
TOTAL ASSETS	9,147,422	3,587,790	12,735,212	45,133,817
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Experience, Assumptions and Contributions	904,286	-	904,286	2,857,646
LIABILITIES:				
Accounts Payable	264,422	55,246	319,668	225,030
Accrued Payroll	78,287	-	78,287	-
Accrued Liabilities	1,611	-	1,611	53,230
Due to Other Governmental Units	-	-	-	149,531
Accrued Interest Payable	-	-	-	13,099
Performance Bonds Payable	-	-	-	3,000
Advance from Other Governmental Units	-	-	-	204,042
Vested Employee Benefits- Due within one year	-	-	-	34,833
Vested Employee Benefits - Due in more than one year	193,714	-	193,714	205,177
Note Payable - Due within one year	-	1,090,000	1,090,000	128,495
Note Payable - Due in more than one year	-	-	-	1,105,395
Bonds Payable - Due within one year	-	-	-	220,000
Bonds Payable - Due in more than one year	-	-	-	760,000
Net Pension Liability - Due in more than one year	8,651,607	-	8,651,607	7,035,267
OPEB Obligation - Due in more than one year	8,034,417	-	8,034,417	8,662,806
TOTAL LIABILITIES	17,224,058	1,145,246	18,369,304	18,799,905
DEFERRED INFLOWS OF RESOURCES:				
Pension Investment Earnings	288,808	-	288,808	824,594
Property Taxes Levied for Subsequent Period	2,254,250	-	2,254,250	1,784,208
TOTAL DEFERRED INFLOWS OF RESOURCES	2,543,058	-	2,543,058	2,608,802
NET POSITION:				
Net Investment in Capital Assets	828,754	-	828,754	31,896,775
Restricted for Debt Service	-	-	-	1
Restricted for Other Purposes	4,620,245	-	4,620,245	148,577
Unrestricted	(15,164,407)	2,442,544	(12,721,863)	(5,462,597)
TOTAL NET POSITION	\$ (9,715,408)	\$ 2,442,544	\$ (7,272,864)	\$ 26,582,756

Statement of Activities

For the Year Ended December 31, 2018

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government Business-type Activities		Component Units
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total	
Primary Government:						
Governmental Activities:						
Legislative	\$ 253,729	\$ -	\$ -	\$ (253,729)	\$ -	\$ -
General Government	2,466,306	999,581	145,113	(1,321,612)	-	(1,321,612)
Judicial	1,640,598	681,306	569,877	(389,415)	-	(389,415)
Public Safety	4,855,506	881,007	340,793	(3,633,706)	-	(3,633,706)
Public Works	28,139	800	-	(27,339)	-	(27,339)
Health and Welfare	1,887,375	26,932	64,756	(1,795,687)	-	(1,795,687)
Community and Economic Development	125,267	113,970	67,003	55,706	-	55,706
Recreation and Culture	2,711	762	-	(1,949)	-	(1,949)
Other Expenses	646,745	-	-	(646,745)	-	(646,745)
Total Governmental Activities	11,906,376	2,704,358	1,187,542	(8,014,476)	-	(8,014,476)
Business-type Activities:						
Delinquent Tax	117,187	404,093	-	-	286,906	286,906
Tax Revision	151,154	247,451	-	-	96,297	96,297
Total Business-type Activities	268,341	651,544	-	-	383,203	383,203
Total Primary Government	\$ 12,174,717	\$ 3,355,902	\$ 1,187,542	(8,014,476)	383,203	(7,631,273)
Component Units:						
Road Commission	\$ 8,595,585	\$ 2,086,762	\$ 6,135,716	\$ 1,124,746		751,639
Department of Public Works	185,374	101,262	-	-		(84,112)
Drain Commission	601,541	1,056,264	-	-		454,723
Land Bank Authority	60,189	114,801	-	-		54,612
City-County Transit	1,798,475	214,377	1,007,843	70,657		(505,598)
Total Component Units	\$ 11,241,164	\$ 3,573,466	\$ 7,143,559	\$ 1,195,403		671,264
General Revenues and Transfers:						
Taxes				6,408,353	-	2,228,270
State Revenue Sharing				520,220	-	-
Investment Earnings (Loss)				38,201	5,097	26,231
Rent				85,241	-	-
Other Income				-	-	33,986
Transfers				278,878	(278,878)	-
Total General Revenues and Transfers				7,330,893	(273,781)	2,288,487
Change in Net Position				(683,583)	109,422	2,959,751
Net Position - Beginning (As Restated See Note 12)				(9,031,825)	2,333,122	23,623,005
Net Position - Ending				\$ (9,715,408)	\$ 2,442,544	\$ 26,582,756

See accompanying notes to financial statements.

Balance Sheet
Governmental Funds
December 31, 2018

	General	Emergency Medical Services	E-911 Millage	Wireless E-911 Fund	Senior Citizens Program	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Equivalents	\$ 596,426	\$ 2,015,501	\$ 631,263	\$ 957,803	\$ 121,035	\$ 951,133	\$ 5,273,161
Investments	-	158,855	122,302	-	-	-	281,157
Accounts Receivable	-	-	-	-	-	79,982	79,982
Taxes Receivable	482,956	450,141	675,210	-	675,210	180,062	2,463,579
Due from Other Governmental Units	181,554	-	-	-	-	32,935	214,489
Due from Others	6,300	-	-	-	-	-	6,300
TOTAL ASSETS	\$ 1,267,236	\$ 2,624,497	\$ 1,428,775	\$ 957,803	\$ 796,245	\$ 1,244,112	\$ 8,318,668
LIABILITIES:							
Accounts Payable	\$ 130,117	\$ 60,417	\$ -	\$ 2,030	\$ 56,540	\$ 15,318	\$ 264,422
Accrued Payroll	78,287	-	-	-	-	-	78,287
Accrued Liabilities	1,611	-	-	-	-	-	1,611
TOTAL LIABILITIES	210,015	60,417	-	2,030	56,540	15,318	344,320
DEFERRED INFLOWS OF RESOURCES:							
Property Taxes Levied for Subsequent Period	397,469	487,933	731,899	-	731,899	195,173	2,544,373
Other State Grants	-	-	-	-	-	70,105	70,105
TOTAL DEFERRED INFLOWS OF RESOURCES	397,469	487,933	731,899	-	731,899	265,278	2,614,478
FUND BALANCES:							
Nonspendable	6,300	-	-	-	-	-	6,300
Restricted	41,111	2,076,147	696,876	955,773	7,806	842,532	4,620,245
Committed	-	-	-	-	-	90,403	90,403
Assigned	-	-	-	-	-	30,581	30,581
Unassigned	612,341	-	-	-	-	-	612,341
TOTAL FUND BALANCES	659,752	2,076,147	696,876	955,773	7,806	963,516	5,359,870
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,267,236	\$ 2,624,497	\$ 1,428,775	\$ 957,803	\$ 796,245	\$ 1,244,112	
Reconciliation to amounts reported for governmental activities in the statement of net position:							
Capital Assets used by Governmental Activities							828,754
Unavailable Revenue from Inflows							360,228
Vested Employee Benefits							(193,714)
Pension and OPEB Obligations							(16,070,546)
Net position of governmental activities							\$ (9,715,408)

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended December 31, 2018**

	General	Emergency Medical Services	E-911 Millage	Wireless E-911 Fund	Senior Citizens Program	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:							
Taxes	\$ 4,613,825	\$ 470,108	\$ 711,568	\$ -	\$ 474,363	\$ 184,483	\$ 6,454,347
Licenses and Permits	435,281	-	-	-	-	-	435,281
Federal	181,089	-	-	-	-	108,572	289,661
State	1,127,417	-	-	170,956	-	83,743	1,382,116
Local	9,000	-	-	-	-	26,985	35,985
Charges for Services	1,311,452	-	-	-	-	317,592	1,629,044
Fines and Forfeits	55,082	-	-	-	-	-	55,082
Interest and Rents	90,598	14,588	4,685	6,556	298	6,717	123,442
Reimbursements	295,302	-	-	-	-	-	295,302
Other Revenue	240,325	-	-	-	-	23,978	264,303
TOTAL REVENUES	8,359,371	484,696	716,253	177,512	474,661	752,070	10,964,563
EXPENDITURES:							
Legislative	252,531	-	-	-	-	-	252,531
Judicial	1,577,802	-	-	-	-	2,200	1,580,002
General Government	2,202,375	-	-	-	-	42,685	2,245,060
Public Safety	4,396,964	-	2,565	21,829	-	152,616	4,573,974
Public Works	26,941	-	-	-	-	26,941	53,882
Health and Welfare	495,114	683,791	-	-	529,014	178,258	1,886,177
Community and Economic Development	-	-	-	-	-	125,267	125,267
Recreation and Culture	2,711	-	-	-	-	-	2,711
Other	549,063	-	-	-	-	-	549,063
Capital Outlay	346,911	-	-	-	-	-	346,911
TOTAL EXPENDITURES	9,850,412	683,791	2,565	21,829	529,014	501,026	11,588,637
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,491,041)	(199,095)	713,688	155,683	(54,353)	251,044	(624,074)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	1,451,872	-	-	-	-	100,100	1,551,972
Operating Transfers Out	(207,082)	-	(817,216)	-	-	(248,796)	(1,273,094)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(246,251)	(199,095)	(103,528)	155,683	(54,353)	102,348	(345,196)
FUND BALANCES, BEGINNING OF YEAR (As Restated See Note 12)	906,003	2,275,242	800,404	800,090	62,159	861,168	5,705,066
FUND BALANCES, END OF YEAR	\$ 659,752	\$ 2,076,147	\$ 696,876	\$ 955,773	\$ 7,806	\$ 963,516	\$ 5,359,870

See accompanying notes to financial statements.

County of Gladwin, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2018

Net changes in fund balances - total governmental funds	\$ (345,196)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$249,229 exceeded depreciation expense (\$85,564).	
	163,665
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred until the following year.	
Change in unavailable revenue	(20,648)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:	
Pension & OPEB	(490,621)
Vested employee benefits	<u>9,217</u>
Change in net position of governmental activities	<u>\$ (683,583)</u>

County of Gladwin, Michigan

Statement of Net Position Proprietary Funds December 31, 2018

	Business-type Activities Enterprise Funds				
	Tax Revision	Unallocated Tax Revolving	2018 Tax Revolving	Nonmajor Enterprise	Totals
ASSETS:					
Cash and Equivalents	\$ 720,391	\$ 1,034,926	\$ 52,864	\$ 411,845	\$ 2,220,026
Taxes Receivable	-	24,099	1,104,376	239,289	1,367,764
TOTAL ASSETS	<u>\$ 720,391</u>	<u>\$ 1,059,025</u>	<u>\$ 1,157,240</u>	<u>\$ 651,134</u>	<u>\$ 3,587,790</u>
LIABILITIES:					
Accounts Payable	\$ 55,246	\$ -	\$ -	\$ -	\$ 55,246
Notes Payable	-	-	1,090,000	-	1,090,000
TOTAL LIABILITIES	<u>55,246</u>	<u>-</u>	<u>1,090,000</u>	<u>-</u>	<u>1,145,246</u>
NET POSITION:					
Unrestricted	<u>665,145</u>	<u>1,059,025</u>	<u>67,240</u>	<u>651,134</u>	<u>2,442,544</u>
TOTAL NET POSITION	<u>\$ 665,145</u>	<u>\$ 1,059,025</u>	<u>\$ 67,240</u>	<u>\$ 651,134</u>	<u>\$ 2,442,544</u>

**Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Funds
For the Year Ended December 31, 2018**

	Business-type Activities Enterprise Funds				
	Tax Revision	Unallocated Tax Revolving	2018 Tax Revolving	Nonmajor Enterprise	Totals
OPERATING REVENUES:					
Interest and Penalties on Taxes	\$ -	\$ 3,967	\$ 74,184	\$ 207,413	\$ 285,564
Administrative Fees	-	-	71,405	47,124	118,529
Collection Fees	247,451	-	-	-	247,451
Total Operating Revenues	247,451	3,967	145,589	254,537	651,544
OPERATING EXPENSES:					
Other Supplies & Expenses	151,154	-	55,237	33,521	239,912
OPERATING INCOME (LOSS)	96,297	3,967	90,352	221,016	411,632
NON-OPERATING REVENUES (EXPENSES):					
Interest Income	3,434	126	267	1,270	5,097
Interest Expense	-	-	(23,379)	(5,050)	(28,429)
Total Non-operating Revenues (Expenses)	3,434	126	(23,112)	(3,780)	(23,332)
Income (Loss) Before Transfers	99,731	4,093	67,240	217,236	388,300
TRANSFERS:					
Operating Transfers In	-	1,035,405	-	-	1,035,405
Operating Transfers Out	(72,036)	(206,842)	-	(1,035,405)	(1,314,283)
Total Transfers	(72,036)	828,563	-	(1,035,405)	(278,878)
CHANGE IN NET POSITION	27,695	832,656	67,240	(818,169)	109,422
NET POSITION, BEGINNING OF YEAR	637,450	226,369	-	1,469,303	2,333,122
NET POSITION, END OF YEAR	<u>\$ 665,145</u>	<u>\$ 1,059,025</u>	<u>\$ 67,240</u>	<u>\$ 651,134</u>	<u>\$ 2,442,544</u>

County of Gladwin, Michigan

Statement of Cash Flows Proprietary Fund Types For the Year Ended December 31, 2018

	Business-type Activities Enterprise Funds				
	Tax Revision	Unallocated Tax Revolving	2018 Tax Revolving	Nonmajor Funds	Totals
Cash Flows From Operating Activities:					
Receipts from Customers or Users	\$ 247,451	\$ (1,717)	\$ 2,082,803	\$ 1,340,191	\$ 3,668,728
Cash Payments to Vendors/Governments	(95,908)	-	(3,096,827)	(33,521)	(3,226,256)
Net Cash Provided (Used) by Operating Activities	151,543	(1,717)	(1,014,024)	1,306,670	442,472
Cash Flows From Noncapital and Related Financing Activities:					
Operating Transfers In	-	1,035,405	-	-	1,035,405
Operating Transfers Out	(72,036)	(206,842)	-	(1,035,405)	(1,314,283)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(72,036)	828,563	-	(1,035,405)	(278,878)
Cash Flows from Capital and Related Financing Activities:					
Tax Note Proceeds	-	-	2,100,000	-	2,100,000
Principal Payments	-	-	(1,010,000)	(845,000)	(1,855,000)
Interest Payments	-	-	(23,379)	(5,050)	(28,429)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	1,066,621	(850,050)	216,571
Cash Flows From Investing Activities:					
Interest Income	3,434	126	267	1,270	5,097
Net Cash Provided (Used) by Investing Activities	3,434	126	267	1,270	5,097
Net Increase (Decrease) in Cash and Equivalents	82,941	826,972	52,864	(577,515)	385,262
Cash and Equivalents - Beginning of the Year	637,450	207,954	-	989,360	1,834,764
Cash and Equivalents - End of the Year	\$ 720,391	\$ 1,034,926	\$ 52,864	\$ 411,845	\$ 2,220,026
Reconciliation of Operating Income (Loss) to					
Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 96,297	\$ 3,967	\$ 90,352	\$ 221,016	\$ 411,632
Change in Assets and Liabilities:					
(Increase) Decrease in Assets:					
Receivables	-	(5,684)	(1,104,376)	1,070,352	(39,708)
Due From Governmental Units	-	-	-	15,302	15,302
Due from Other Funds	-	-	-	150,000	150,000
Increase (Decrease) in Liability:					
Accounts Payable	55,246	-	-	-	55,246
Due to Other Funds	-	-	-	(150,000)	(150,000)
Net Cash Provided (Used) by Operating Activities	\$ 151,543	\$ (1,717)	\$ (1,014,024)	\$ 1,306,670	\$ 442,472

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018**

	<u>Total</u>
ASSETS:	
Cash and Equivalents	<u>\$ 367,308</u>
Total Assets	<u><u>\$ 367,308</u></u>
LIABILITIES:	
Due to Governmental Units	\$ 51,161
Due to Individuals and Agencies	<u>316,147</u>
Total Liabilities	<u><u>\$ 367,308</u></u>

Combining Component Units

County of Gladwin, Michigan

Statement of Net Position Combining Component Units December 31, 2018

	Road Commission	Department of Public Works	Drain Commission	Land Bank Authority	Gladwin City - County Transit FYE 9-30-18	Totals
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 2,668,781	\$ 161,574	\$ 863,992	\$ 80,643	\$ 476,309	\$ 4,251,299
Investments	1,673,848	-	-	-	-	1,673,848
Accounts Receivable	2,709,427	-	-	-	6,049	2,715,476
Special Assessments Receivable	-	-	1,535,613	-	-	1,535,613
Due from Governmental Units	-	197,941	-	-	92,706	290,647
Inventories	332,537	-	-	-	38,275	370,812
Prepaid Items	135,627	-	-	-	42,777	178,404
Cash on Deposit with Agent	-	-	-	-	148,577	148,577
Net Pension Asset	-	-	-	-	53,476	53,476
Capital Assets (Not Depreciated)	4,747,668	-	-	-	14,135	4,761,803
Capital Assets (Net of Accumulated Depreciation)	26,961,770	-	1,388,405	-	803,687	29,153,862
TOTAL ASSETS	39,229,658	359,515	3,788,010	80,643	1,675,991	45,133,817
DEFERRED OUTFLOWS OF RESOURCES:						
Pension & OPEB Related Items	2,776,162	-	-	-	81,484	2,857,646
LIABILITIES:						
Accounts Payable	200,411	-	-	-	24,619	225,030
Accrued Liabilities	32,529	-	-	-	20,701	53,230
Accrued Interest Payable	6,018	2,941	4,140	-	-	13,099
Performance Bonds payable	3,000	-	-	-	-	3,000
Advances from Governmental Units	204,042	-	-	-	-	204,042
Due to Other Governments	-	-	57,778	-	91,753	149,531
Net Other Post-Employment Benefit Obligations	8,423,766	-	-	-	239,040	8,662,806
Net Pension Liability - Due in more than one year	7,035,267	-	-	-	-	7,035,267
Vested Employee Benefits - Due within one year	-	-	-	-	34,833	34,833
Vested Employee Benefits - Due in more than one year	205,177	-	-	-	-	205,177
Notes Payable - Due within one year	43,495	-	85,000	-	-	128,495
Notes Payable - Due in more than one year	305,395	-	800,000	-	-	1,105,395
Bonds Payable - Due within one year	125,000	95,000	-	-	-	220,000
Bonds Payable - Due in more than one year	660,000	100,000	-	-	-	760,000
TOTAL LIABILITIES	17,244,100	197,941	946,918	-	410,946	18,799,905
DEFERRED INFLOWS OF RESOURCES:						
Taxes Levied for Subsequent Period	1,784,208	-	-	-	-	1,784,208
Pension & OPEB Related Items	690,873	-	-	-	133,721	824,594
TOTAL DEFERRED INFLOWS OF RESOURCES	2,475,081	-	-	-	133,721	2,608,802
NET POSITION:						
Net Investment in Capital Assets	30,575,548	-	503,405	-	817,822	31,896,775
Restricted for Debt	-	1	-	-	-	1
Restricted for Other Purposes	-	-	-	-	148,577	148,577
Unrestricted	(8,288,909)	161,573	2,337,687	80,643	246,409	(5,462,597)
TOTAL NET POSITION	\$ 22,286,639	\$ 161,574	\$ 2,841,092	\$ 80,643	\$ 1,212,808	\$ 26,582,756

Statement of Activities
Combining Component Units
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Department of Public Works	Drain Commission	Land Bank Authority	Gladwin City - County Transit FYE 9-30-18	
Road Commission:										
Public Works	\$ 8,595,585	\$ 2,086,762	\$ 6,135,716	\$ 1,124,746	\$ 751,639	\$ -	\$ -	\$ -	\$ -	\$ 751,639
Department of Public Works:										
Public Works	185,374	101,262	-	-	-	(84,112)	-	-	-	(84,112)
Drain Commission:										
Public Works	601,541	1,056,264	-	-	-	-	454,723	-	-	454,723
Land Bank Authority:										
Community & Economic Development	60,189	114,801	-	-	-	-	-	54,612	-	54,612
Gladwin City - County Transit:										
Transportation	1,798,475	214,377	1,007,843	70,657	-	-	-	-	(505,598)	(505,598)
Total Component Unit	\$ 11,241,164	\$ 3,573,466	\$ 7,143,559	\$ 1,195,403	\$ 751,639	(84,112)	454,723	54,612	(505,598)	671,264
General Revenues and Transfers:										
Taxes					1,754,736	-	-	-	473,534	2,228,270
Investment Earnings					21,972	1	1,122	54	3,082	26,231
Other Income					(688)	-	-	3,259	31,415	33,986
Total General Revenues and Transfers					1,776,020	1	1,122	3,313	508,031	2,288,487
Change in Net Position					2,527,659	(84,111)	455,845	57,925	2,433	2,959,751
Net Position - Beginning (As Restated See Note 12)					19,758,980	245,685	2,385,247	22,718	1,210,375	23,623,005
Net Position - Ending					\$ 22,286,639	\$ 161,574	\$ 2,841,092	\$ 80,643	\$ 1,212,808	\$ 26,582,756

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

Gladwin County, Michigan (County) was organized in 1875, covers an area of 503 square miles divided into 15 townships and 2 cities, and has 25,692 residents (based on the 2010 census). The county seat is located in the City of Gladwin. The County operates under an elected Board of Commissioners (County Board) with five members and provides many services to its residents including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County's significant accounting policies are described below.

As required by GAAP, the financial statements of the reporting entity include those of the County and its component units. The component units discussed below are included in the County's reporting entity because they are entities for which the County is considered to be financially accountable.

Blended component unit – The Building Authority has been included as part of the County financial statements since the County appoints the governing authority and the Building Authority provides its services entirely to the County. The Building Authority is reported as a debt service fund and does not issue separate financial statements.

Discretely presented component units – The component unit column in the government-wide financial statements includes the financial data of the County's other component units. These units are reported in a separate column to emphasize that they are legally separate from the County.

Road Commission – The Gladwin County Road Commission (Road Commission) is governed by an elected three member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board. If approval is granted, Road Commission's taxes are levied under the taxing authority of the County, as approved by the County electors. The nature and significance of the relationship between the primary government and the Road Commission is such that exclusion would cause the reporting entity's financial statements to be misleading. A complete financial statement can be obtained from the Gladwin County Road Commission, 301 South State Street, Gladwin, Michigan 48624.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gladwin City-County Transit – The Gladwin City-County Transit (Transit) is a countywide transportation system created by an interlocal agreement dated June 22, 1981, between the County and the City of Gladwin. Pursuant to the interlocal agreement, administrative control of the system was transferred to the Gladwin City Housing Commission (Housing Commission), with the County Treasurer acting as fiscal agent for the system. The Transit may not issue debt and the tax levy is subject to County Board approval. The transit taxes are levied under the taxing authority of the County, as approved by the County electors. The nature and significance of the relationship between the primary government and the Transit is such that exclusion would cause the reporting entity's financial statements to be misleading. Due to the difference in the fiscal year-end of the Transit, the September 30, 2018 amounts have been included in the County audit. A complete financial statement can be obtained from the Gladwin City Housing Commission, 615 Weaver Ct, Gladwin, Michigan 48624.

Department of Public Works – Pursuant to Michigan Compiled Law 123.732, Gladwin County created the Department of Public Works. The Department of Public Works operates under the general control of the County Board and under the immediate control of a Board of Public Works, which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The Board of Public Works manages water supply and sanitary sewer system construction projects that are bonded by the County. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the County Board. The nature and significance of the relationship between the County and the Department of Public Works is such that exclusion would cause the reporting entity financial statements to be misleading or incomplete.

Drain Commission – Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The Drain Commissioner is responsible for planning, developing, and maintaining surface water drainage systems within the County. The Drain Commissioner, on behalf of each drainage district, may issue debt or levy a tax as authorized by the State Drain Code without the approval of the County Board. The County employs all full-time employees and the elected officials of the Drain Commission. The Drain Commission deposits its receipts with the County Treasurer. The nature and significance of the relationship between the County and the Drain Commission is such that exclusion would cause the reporting entity financial statements to be misleading or incomplete.

Land Bank Authority – The Gladwin County Land Bank Authority (Land Bank) is a public body corporation organized pursuant to the Michigan Land Bank Fast Track Public Act 258 and an intergovernmental agreement entered into between the Michigan Land Bank Fast Track Authority and the County Treasurer. The Land Bank was created to acquire, hold, manage and develop tax-foreclosed properties, as well as other vacant and abandoned properties. The Land Bank was legally established on October 16, 2008, and began operations on that date. The Land Bank is comprised of seven members, as follows: the County Treasurer, one member of the County Board, and five persons appointed by the County Board to represent the interests of the City of Gladwin, the City of Beaverton, the townships in the County, and the members of the general public.

Joint Organizations

Central Michigan District Health Department – Gladwin, Clare, Arenac, Isabella, Osceola, and Roscommon counties participate jointly in the operation of the Central Michigan District Health Department (Health Department). All of the financial operations of the Health Department are recorded in the records of Isabella County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Joint Organizations (continued)**

The funding formula approved by the member counties is based pro-rata on each unit's population and equalized valuation to the Health Department's total population and valuation. Member counties' percentages of the 2018 net operating budget were:

Gladwin	14%	Isabella	28%
Clare	17%	Osceola	13%
Arenac	10%	Roscommon	18%

The County's appropriation to the Health Department for the year ended December 31, 2018 was \$186,018.

Central Michigan Community Mental Health Services Board – The Central Michigan Community Mental Health Services Board (Services Board) reorganized as a Community Mental Health Authority under Public Act 258 of 1974, as amended. The Services Board has representatives and provides services to Isabella, Mecosta, Osceola, Clare, Midland, and Gladwin counties. All participating counties provide annual appropriations; however, none of the participating counties are financially responsible for the Board.

The Services Board is legally separate from the County; however, it has not met the financial accountability criteria. For this reason, it is not considered a component unit of the County.

The County's appropriation to the Services Board for the year ended December 31, 2018 was \$91,531.

Related Organization

Northern Michigan Substance Abuse Services, Inc. – The County, in conjunction with 31 other counties, has entered into an agreement which created Northern Michigan Substance Abuse Services, Inc. This organization's board is composed of one member appointed by the board of commissioners from each of the participating counties.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the County's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the County has five discretely presented component units. While not all are considered to be a major component unit, they are nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.

The *Emergency Medical Services Fund* accounts for funds raised by a special tax levy to maintain emergency medical services to County citizens.

The *E-911 Millage Fund* accounts for funds raised by a special tax levy to maintain E-911 services to County citizens.

The *Wireless E-911 Millage Fund* accounts for funds received to operate E-911 services for County citizens.

The *Senior Citizens Program Fund* accounts for funds raised by a special tax levy to maintain and expand services to older citizens of the County.

The County reports the following major proprietary funds:

The *Tax Revision Fund* accounts for the purchase and collection of delinquent taxes.

The *Unallocated Tax Revolving Fund* accounts for the purchase of delinquent taxes from other local taxing units and the subsequent collection of those taxes receivable.

The *2018 Tax Revolving Fund* accounts for the purchase of delinquent taxes from other local taxing units and the subsequent collection of those taxes receivable.

Additionally, the County reports the following fund types:

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

During the course of operations, the County has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the net OPEB obligation and the net pension obligation.

F. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

G. Budgetary Accounting

1. Budgetary basis of accounting

The General Fund and special revenue funds operate under formal budgetary control. A general appropriation budget is prepared in accordance with Michigan Public Act 2 of 1968, as amended, and the budgetary document is submitted annually by the Finance Committee which recommends formal adoption by the County Board. Budgets presented in the financial statements are prepared on a modified accrual basis of accounting and encompass all amendments.

Budgetary control is exercised at the activity level. The Finance Committee is authorized to make budget transfers within these funds at the activity level.

The County Board is authorized to make and has made supplemental appropriation adjustments to the budget during the year as deemed necessary at the levels of budgetary control as noted above. These adjustments are reflected in the budget amounts in the financial statements. All encumbered appropriations lapse at the end of the year.

2. Excess of expenditures over appropriations

Public Act 2 of 1968, the Uniform Budgeting and Accounting Act, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures were in excess of amounts appropriated as follows:

	<u>Total Appropriations</u>		<u>Amount of Expenditures</u>		<u>Budget Variance</u>
E 911 Millage Fund:					
Transfers to Other Funds	\$	-	\$	817,216	\$ (817,216)
Emergency Medical Services Fund:					
Health and Welfare	\$	-	\$	683,791	\$ (683,791)
Senior Citizens Program:					
Health and Welfare	\$	-	\$	529,014	\$ (529,014)

H - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and equivalents

For purposes of the statement of cash flows, the County considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory and prepaid items

Inventory in the Road Commission component unit, consisting of various operating parts, supplies and road materials, is valued at cost, as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as they are used. Inventory in the Gladwin City-County Transit component unit is valued at cost, on a first-in, first-out basis. Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid expenses or expenditures in the government-wide and fund statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. In the Drain Commission component unit and the Road Commission component unit, infrastructure includes only those infrastructure assets acquired subsequent to January 1, 2004. Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

Building and Improvements	10 to 50 years
Equipment and Furniture	3 to 10 years
Vehicles and Equipment	3 to 15 years
Road/Drain Infrastructure	5 to 50 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two item that qualifies for reporting in this category. They are the deferred outflows and inflows related to the County's multiple-employer net pension obligation and totaled \$904,286, \$288,808 respectively and the taxes levied for a subsequent period of \$2,254,250 as of December 31, 2018.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has several types of items that qualify for reporting in this category. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from property taxes and accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods. Deferred inflows are reported regarding the County's pension plan. The component units also report deferred inflows of resources for property taxes and special assessments levied for a subsequent period, as well as unavailable revenues for special assessments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Municipal Employees Retirement System (MERS) and additions to/deductions from MERS fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-term obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported inclusive of the applicable bond premium or net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Net position flow assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund balance flow assumptions

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

The County's policy is to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance policies

Fund balance of governmental funds is reported in one of five possible categories based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable – amounts which cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers (such as creditors, grantors, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – amounts which the County imposes upon itself through formal actions made by the County's Board of Commissioners. A formal resolution of the County Board is required to establish, modify or rescind a fund balance commitment.

Assigned – amounts neither restricted nor committed for which the County has a stated intended use as established by the County Board of Commissions or an official to which the County Commissioners have delegated the authority to assign amounts for specific purposes.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

I - Revenues and Expenditures/Expenses

Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

County general operating property taxes are levied annually on July 1 (the lien date) to fund operations for the current year. The property taxes are due in full within nine months (prior to March 1), at which time uncollected taxes became delinquent. The assessed value of real and personal property is established by the local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which requires property taxes to be levied based on the taxable value of the underlying property. Annual increases in taxable value are limited to the lesser of 5% or the rate of inflation.

Taxable value reverts to 50% of true cash value when the property is sold. Taxable value is determined by using such factors as equalized, assessed and capped values, along with a value change multiplier.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The taxable value of real and personal property for the December 31, 2017 general operating levy was \$945.7 million and \$967.7 million as of July 1, 2018. The general operating tax rate for this levy was at the maximum rate of 4.4052 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had voter approved taxes of 0.75 mills for senior citizen programs, 0.5 mills for EMS, 0.11 mills for MSUE, 0.2 mills for Animal Shelter, and 0.75 mills for 911 services on the December 1, 2018 voter-approved levy.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable. These receivables are pledged to a bank for payment of the notes payable; the subsequent collection of the receivables, interest and collection fees thereon, and investment earnings are used to extinguish the debt.

Vested Employee Benefits

County employees accumulate compensated leave time in varying amounts depending on length of service and other factors. All vacation pay and 50% of sick pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they matured, for example, as a result of employee resignations and retirements. This liability includes salary-related benefits, where applicable.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are collection fees and interest earned on delinquent taxes. Operating expenses for enterprise funds include the fees and charges. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Transfers

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

J – New Accounting Standard

During the year ended December 31, 2018, the County adopted the Governmental Accounting Standards Board's Accounting Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB.) The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Annually, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1st, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the department or activity level of the General Fund and fund level for Special Revenue Funds. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity or department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Equivalents	\$ 5,273,161	\$ 2,220,026	\$ 7,493,187	\$ 367,308	\$ 4,251,299
Investments	<u>281,157</u>	<u>-</u>	<u>281,157</u>	<u>-</u>	<u>1,673,848</u>
Total	<u>\$ 5,554,318</u>	<u>\$ 2,220,026</u>	<u>\$ 7,774,344</u>	<u>\$ 367,308</u>	<u>\$ 5,925,147</u>

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, money markets, & certificates of deposit)	\$ 7,490,542	\$ 367,308	\$ 4,251,299
Petty Cash and Cash on Hand	<u>2,645</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,493,187</u>	<u>\$ 367,308</u>	<u>\$ 4,251,299</u>

	<u>Years to Maturity</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>S&P Ratings</u>
Investments:					
MI CLASS**	\$ 174,625	\$ 174,625	\$ -	\$ -	AAAm
Municipal Bonds	<u>106,532</u>	<u>106,532</u>	<u>-</u>	<u>-</u>	AA
Total	<u>\$ 281,157</u>	<u>\$ 281,157</u>	<u>\$ -</u>	<u>\$ -</u>	

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County's investments all meet State statutes.

Interest rate risk. The County has not adopted a policy that indicates how the County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for custodial deposit credit risk. As of year-end, \$9,445,630 of the County's bank balance of \$11,097,289 was exposed to credit risk because it was uninsured and uncollateralized.

In accordance with the County's investment policy and State law, all deposits are uncollateralized, held in the County's name, and evidenced by a safekeeping receipt. Also, due to the dollar amounts of cash deposits and the limits of FDIC insurance, the County believes it impractical to insure all bank deposits. As a result, the County evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Custodial credit risk. The County has not adopted a policy that indicates how the County will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

Custodial investment credit risk. For investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party. \$106,532 of the County's investments are in the name of the County. Credit quality ratings of public money funds were not available from the financial institutions or are unrated.

Fair value measurement. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy below.

****Michigan CLASS** measures its investments at fair value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore a Participant's investment in MICHIGAN CLASS is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of Statement 72.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements required judgment and considers factors specific to each asset or liability.

The County has the following fair value measurements as of December 31, 2018:

<u>Investment</u>	<u>Balances at 12/31/2018</u>	<u>Quoted Prices (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Municipal Bonds	<u>\$ 106,532</u>	<u>\$ 106,532</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Statutory Authority:

An act (PA 152) to amend 1943 PA 20, entitled "An act relative to the investment of funds of public corporations of the state; and to validate certain investments," by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Disposals</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 297,231	\$ -	\$ -	\$ 297,231
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	1,691,530	15,570	-	1,707,100
Equipment and Furniture	482,661	134,539	-	617,200
Vehicles and Boats	666,767	99,120	-	765,887
Subtotal	2,840,958	249,229	-	3,090,187
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(1,586,242)	(5,155)	-	(1,591,397)
Equipment and Furniture	(343,407)	(25,217)	-	(368,624)
Vehicles and Boats	(543,451)	(55,192)	-	(598,643)
Subtotal	(2,473,100)	(85,564)	-	(2,558,664)
Net Capital Assets Being Depreciated	367,858	163,665	-	531,523
Capital Assets, Net	\$ 665,089	\$ 163,665	\$ -	\$ 828,754

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 30,372
Public Safety	55,192
Total Depreciation – Governmental Activities	\$ 85,564

NOTE 4 - CAPITAL ASSETS (Continued)

A summary of changes in the Road Commission's capital assets are as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land and Improvements	\$ 3,510,558	\$ 1,206,892	\$ -	\$ 4,717,450
Construction in Progress	<u>63,100</u>	<u>14,050</u>	<u>(46,932)</u>	<u>30,218</u>
Subtotal	<u>3,573,658</u>	<u>1,220,942</u>	<u>(46,932)</u>	<u>4,747,668</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	3,506,630	237,834	(16,554)	3,727,910
Road Equipment	6,643,164	10,925	(44,920)	6,609,169
Shop Equipment	113,276	-	-	113,276
Yard Equipment	85,252	-	-	85,252
Office Equipment	103,021	1,054	-	104,075
Engineers' Equipment	12,524	-	-	12,524
Infrastructure – Bridges	5,265,511	-	-	5,265,511
Infrastructure – Roads	<u>31,405,792</u>	<u>2,254,168</u>	<u>(235,758)</u>	<u>33,424,202</u>
Subtotal	<u>47,135,170</u>	<u>2,503,981</u>	<u>(297,232)</u>	<u>49,341,919</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(1,540,795)	(105,829)	16,554	(1,630,070)
Road Equipment	(5,437,135)	(463,600)	12,132	(5,888,603)
Shop Equipment	(113,276)	-	-	(113,276)
Yard Equipment	(83,545)	(371)	-	(83,916)
Office Equipment	(97,297)	(1,742)	-	(99,039)
Engineers' Equipment	(12,378)	(146)	-	(12,524)
Infrastructure – Bridges	(792,790)	(118,887)	-	(911,677)
Infrastructure – Roads	<u>(12,186,166)</u>	<u>(1,690,636)</u>	<u>235,758</u>	<u>(13,641,044)</u>
Subtotal	<u>(20,263,382)</u>	<u>(2,381,211)</u>	<u>264,444</u>	<u>(22,380,149)</u>
Net Capital Assets Being Depreciated	<u>26,871,788</u>	<u>122,770</u>	<u>(32,788)</u>	<u>26,961,770</u>
Capital Assets - Net	<u>\$ 30,445,446</u>	<u>\$ 1,343,712</u>	<u>\$ (79,720)</u>	<u>\$ 31,709,438</u>

Depletion/depreciation expense was charged to programs of the Gladwin County Road Commission as follows:

Total Depreciation Expense – Public Works \$ 2,381,211

NOTE 4 - CAPITAL ASSETS (Continued)

A summary of changes in the Drain Commission's capital assets are as follows:

	<u>Beginning Balances</u>	<u>Addition</u>	<u>Disposals</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
Infrastructure - Drains	\$ 1,614,421	\$ -	\$ -	\$ 1,614,421
<i>Less accumulated depreciation for:</i>				
Infrastructure - Drains	(193,728)	(32,288)	-	(226,016)
Capital Assets, Net	<u>\$ 1,420,693</u>	<u>\$ (32,288)</u>	<u>\$ -</u>	<u>\$ 1,388,405</u>

Depreciation expense was charged entirely to Public Works in the amount of \$32,288.

A summary of changes in the Gladwin City-County Transit capital assets are as follows:

	<u>Beginning Balances 10/01/17</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balances 09/30/18</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 14,135	\$ -	\$ -	\$ 14,135
<i>Capital assets being depreciated:</i>				
Building and Improvements	1,621,914	2,942	-	1,624,856
Land Improvements	12,600	-	-	12,600
Office Equipment	167,146	-	-	167,146
Bus Equipment	71,440	33,985	-	105,425
Buses and Other Vehicles	1,850,729	37,654	-	1,888,383
Maintenance Equipment	228,714	-	-	228,714
Subtotal	<u>3,952,543</u>	<u>74,581</u>	<u>-</u>	<u>4,027,124</u>
<i>Less accumulated depreciation for:</i>				
Building and Improvements	(1,068,299)	(57,125)	-	(1,125,424)
Land Improvements	(12,600)	-	-	(12,600)
Office Equipment	(155,473)	(3,834)	-	(159,307)
Bus Equipment	(59,165)	(12,646)	-	(71,811)
Buses and Other Vehicles	(1,656,438)	(71,402)	-	(1,727,840)
Maintenance Equipment	(116,189)	(10,266)	-	(126,455)
Subtotal	<u>(3,068,164)</u>	<u>(155,273)</u>	<u>-</u>	<u>(3,223,437)</u>
Net Capital Assets Being Depreciated	<u>884,379</u>	<u>(80,692)</u>	<u>-</u>	<u>803,687</u>
Capital Assets, Net	<u>\$ 898,514</u>	<u>\$ (80,692)</u>	<u>\$ -</u>	<u>\$ 817,822</u>

Depreciation expense was charged entirely to Transportation in the amount of \$155,273.

NOTE 5 - INTERFUND TRANSFERS

TRANSFERS IN

TRANSFERS OUT							
	General Fund	E-911 Millage	Nonmajor Governmental	Unallocated Tax Revolving	Tax Revision	Nonmajor Enterprise	Total
General Fund	\$ 106,982	\$ 817,216	\$ 248,796	\$ 206,842	\$ 72,036	\$ -	\$ 1,451,872
Nonmajor Governmental	100,100	-	-	-	-	-	100,100
Unallocated Tax Revolving	-	-	-	-	-	1,035,405	1,035,405
Total	\$ 207,082	\$ 817,216	\$ 248,796	\$ 206,842	\$ 72,036	\$ 1,035,405	\$ 2,587,377

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - LONG-TERM DEBT

Primary Government

General obligation and revenue bonds and notes are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 5 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation and revenue bonds and notes currently outstanding are as follows:

Long-term liability activity for the year ended December 31, 2018 was as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:							
Vested Employee Benefits			\$ 202,931	\$ -	\$ 9,217	\$ 193,714	\$ -
Business-type Activities:							
General Obligation							
Limited Tax Notes	1.93%	2018	845,000	-	845,000	-	-
General Obligation							
Limited Tax Notes	Variable	2019	-	2,100,000	1,010,000	1,090,000	1,090,000
Total Business-type Activities			845,000	2,100,000	1,855,000	1,090,000	1,090,000
Total Primary Long-Term Debt			<u>\$ 1,047,931</u>	<u>\$ 2,100,000</u>	<u>\$ 1,864,217</u>	<u>\$ 1,283,714</u>	<u>\$ 1,090,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End December 31</u>	<u>Business-type Activities</u>
	<u>Principal</u> <u>Interest</u>
2019	\$ 1,090,000 Variable

NOTE 6 - LONG-TERM DEBT (Continued)

Component Units

The long-term debt and other long-term obligations of the County's component units, and the changes therein, are summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Road Commission:					
Installment Purchase Agreements	\$ 418,151	\$ -	\$ 69,262	\$ 348,890	\$ 43,495
Bonds Payable	910,000	-	125,000	785,000	125,000
Vested Employee Benefits	304,421	-	99,243	205,177	-
Total Road Commission					
Long-term Debt	<u>\$ 1,632,572</u>	<u>\$ -</u>	<u>\$ 293,505</u>	<u>\$ 1,339,067</u>	<u>\$ 168,495</u>
Department of Public Works:					
General Obligation Bonds	<u>\$ 285,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 195,000</u>	<u>\$ 95,000</u>
Drain Commission:					
General Obligation Notes	<u>\$ 1,175,000</u>	<u>\$ -</u>	<u>\$ 290,000</u>	<u>\$ 885,000</u>	<u>\$ 85,000</u>
Gladwin City-County Transit:					
Vested Employee Benefits	<u>\$ 34,496</u>	<u>\$ 337</u>	<u>\$ -</u>	<u>\$ 34,833</u>	<u>\$ -</u>

NOTE 6 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Road Commission – Michigan Transportation Bonds are issued by the Road Commission to finance construction projects and are direct obligations, pledging the full faith and credit of the County and the Road Commission. The bonds are issued as 20-year serial bonds with varying amounts of principal maturing each year through 2024 and bear interest at varying rates from 1.84% to 4.15%. The installment purchase agreements bear interest from 2.89% to 3.30%. Title to the equipment is transferred to the lessor at the end of the lease. Annual debt service requirements to maturity for the Michigan Transportation bonds and installment purchase agreements are as follows:

<u>Year End December 31</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 168,495	\$ 22,838
2020	168,513	19,344
2021	212,503	14,520
2022	314,379	7,483
2023-2026	<u>270,000</u>	<u>5,060</u>
Total	<u>\$ 1,133,890</u>	<u>\$ 69,245</u>

Department of Public Works – General obligation bonds are issued by the County to finance construction projects managed and administered by the Department of Public Works. These bonds are direct obligations, pledging the full faith and credit of the County and the City of Gladwin. The bonds are issued as serial bonds with varying amounts of principal maturing each year through November 2020 and bearing interest at rates from 3.95% to 4.5%. Annual debt service requirements to maturity for the Department of Public Works general obligation bonds are as follows:

<u>Year End December 31</u>	<u>Principal</u>	<u>Interest</u>
2019	95,000	8,825
2020	<u>100,000</u>	<u>4,550</u>
Total	<u>\$ 195,000</u>	<u>\$ 13,375</u>

Drain Commission – General obligation drain improvement bonds and notes are issued by the County to finance certain drainage district construction projects. General obligation bonds have been issued for governmental activities. These bonds and notes are direct obligations, pledging the full faith and credit of the County and the respective drainage districts. The bonds are generally issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year and bear interest rates varying from 4.14% to 6%. Annual debt service requirements to maturity for the Drain Commission general obligation bonds are as follows:

NOTE 6 - LONG-TERM DEBT (Continued)

<u>Year End December 31</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 85,000	\$ 47,338
2020	100,000	42,250
2021	100,000	36,750
2022	100,000	31,250
2023	100,000	25,750
2024-2027	<u>400,000</u>	<u>46,000</u>
Total	<u>\$ 885,000</u>	<u>\$ 229,338</u>

Advance Refunding

In October 2012, the Road Commission component unit issued Michigan Transportation Fund Bonds in the amount of \$1,285,000. Proceeds from this bond issue, along with a contribution from the Road Commission of \$10,818, were used to advance refund Michigan Transportation Fund Bonds issued in 2004. The refunded bonds mature as scheduled through February 2024. The balance of the defeased debt outstanding at December 31, 2018, was \$770,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS***PRIMARY GOVERNMENT***

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com. The employees included in this plan are the Police and Administrative Office personnel.

Benefits Provided. The charts below summarize the County's benefit provisions for its covered groups.

01 – Elctd & NonUnion: Closed to new hires, linked to Division 13

	<u>2017 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

02 – Dispatchers: Closed to new hires, linked to Division 13

	2017 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

10– UAW Unit 6 & 7: Closed to new hires, linked to Division 13

	2017 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

11 – UAW Unit 3, 4, & 5: Open Division

	2017 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	3.80%
Act 88:	Yes (Adopted 12/14/1970)

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

12 – UAW #7: Closed to new hires, linked to Division 13

	2017 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

13 – New Hire div 01, 02, 10, 12, 20, 22: Open Division, linked to Division 01, 02, 10, 12, 20, 22

	2017 Valuation
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

20 – Sheriff COAM: Closed to new hires, linked to Division 13

	2017 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

21 – Cmd, Sher & Under: Open Division

	2017 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

22 – Sheriff's Deputies POAM: Closed to new hires, linked to Division 13

	2017 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

- Benefits provided include plans with multipliers ranging from 1.50% to 2.50%.
- Vesting periods for all groups is 10 years.
- Normal retirement age is 60 with early retirement at 55 with 20 - 25 years of service.
- Final average compensation is calculated based on 3 years.
- Member contributions range from 3.8% to 5.0%.

Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	87
Inactive employees entitled to but not yet receiving benefits	32
Active employees	<u>88</u>
	207

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Funding Policy

Contributions. The County is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County may establish contribution rates to be paid by its covered employees.

Employer contributions range from 3.07% to 39.05% based on annual payroll for open divisions. The County's contributions to the plan for the year ended December 31, 2018 were \$749,545 which exceeded the County's required contribution of \$718,776.

Employee contributions for the year ended December 31, 2018 were \$188,272.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.75% in the long-term
- Investment rate of return: 7.75%, net of investment expense, including inflation.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of January 1, 2009 through December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	3.41%
Global Fixed Income	18.5%	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.63%

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Discount Rate. The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	\$ 23,450,756	\$ 16,316,891	\$ 7,133,865
Service cost	405,701	-	405,701
Interest on total pension liability	1,841,259	-	1,841,259
Changes in benefits	-	-	-
Difference between expected and actual experience	(451,432)	-	(451,432)
Changes in assumptions	-	-	-
Employer contributions	-	749,545	(749,545)
Employee contributions	-	188,272	(188,272)
Net investment income	-	(636,431)	636,431
Benefit payments, including employee refunds	(1,275,726)	(1,275,726)	-
Administrative expense	-	(31,593)	31,593
Other charges	(7,994)	(1)	(7,993)
Net changes	511,808	(1,005,934)	1,517,742
Balances as of December 31, 2018	\$ 23,962,564	\$ 15,310,957	\$ 8,651,607

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net Pension Liability	\$ 11,590,771	\$ 8,651,607	\$ 6,198,494

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2018 the County recognized pension expense of \$869,381. The County reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 288,808
Differences in assumptions	290,257	-
Excess (deficit) investment returns	614,029	-
Total	<u>\$ 904,286</u>	<u>\$ 288,808</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending December 31, 2018.

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2019	\$ 153,812	\$ 76,149
2020	135,727	99,801
2021	229,346	112,858
2022	<u>385,401</u>	<u>-</u>
Total	<u>\$ 904,286</u>	<u>\$ 288,808</u>

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

COMPONENT UNIT – GLADWIN COUNTY ROAD COMMISSION

Plan Description

The Road Commission participates in the Municipal Employees Retirement System (MERS) of Michigan, an agent multiple employer statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided. The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

- ***Commissioners*** - Retirement benefits are calculated as 2.5% of the Commissioner's final 3-year average salary times the Commissioner's years of service. Normal retirement age is 60 years, with early retirement at 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 6 years.
- ***General employees hired before July 1, 2012*** - Retirement benefits are calculated as 2.5% of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60 years, with early retirement at 55 with 30 years of service (unreduced), 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Benefit terms also provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date of 2.5%.
- ***General employees hired after July 1, 2012 ("new hires")*** - Retirement benefits are calculated as 1.5% of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60 years, with early retirement at 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 10 years.

Employees are eligible for non-duty disability benefits after 10 years of service and for duty related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits may also be paid to a beneficiary. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Board of County Road Commissioners, generally after negotiations of these terms with the labor union.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>30</u>
	71

Contribution Requirements. Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement Board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2018, the Road Commission's actuarially determined contribution rate was 2.50% of annual covered payroll for Commissioners, 2.05% for general employees hired after July 1, 2012 and \$51,319 monthly for general employees hired before July 1, 2012. Commissioners and new hires are required to contribute 5% of their annual covered payroll to the plan. Employees hired before July 1, 2012 are required to contribute 3% (under \$4,200) and 5% (over \$4,200) of their annual covered payroll to the plan.

Net Pension Liability. The net pension liability reported at year-end was determined using a measure of the total pension liability and the pension net position as of December 31, 2017. The December 31, 2017 total pension liability was determined by an actuarial valuation performed as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75%, (plus 0.0% to 11.0% for merit and longevity)
Investment rate of return	7.75%, net of investment expense and including inflation

Mortality rates were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend for non-disabled plan members and 50% Male and 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables for disabled plan members. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the most recent actuarial experience study dated 2015 that covers the period January 1, 2009 through December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	5.02%
Global Fixed Income	18.5%	2.18%
Real Assets	13.5%	4.23%
Diversifying Strategies	12.5%	6.56%

Discount Rate. The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016 (As Restated)	<u>\$ 16,347,641</u>	<u>\$ 8,299,943</u>	<u>\$ 8,047,698</u>
Service cost	163,657	-	163,657
Interest on total pension liability	1,245,477	-	1,245,477
Change in benefits	2,750	-	2,750
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	1,252,745	(1,252,745)
Employee contributions	-	65,172	(65,172)
Net investment income	-	1,124,118	(1,124,118)
Benefit payments, including employee refunds	(1,036,115)	(1,036,115)	-
Administrative expense	-	(17,720)	17,720
Other Changes	-	-	-
Net changes	<u>375,769</u>	<u>1,388,200</u>	<u>(1,012,431)</u>
Balances as of December 31, 2017	<u>\$ 16,723,410</u>	<u>\$ 9,688,143</u>	<u>\$ 7,035,267</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Road Commission, calculated using the discount rate of 8.00 percent, as well as what the Road Commission's net pension liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Net Pension Liability	\$ 8,717,185	\$ 7,035,267	\$ 5,589,89

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the County recognized pension expense of \$14,521. At December 31, 2018, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 179,300
Differences between expected and actual experience	18,025	-
Contributions subsequent to the measurement date*	<u>1,047,313</u>	<u>-</u>
Total	<u>\$ 1,065,338</u>	<u>\$ 179,300</u>

The Amount reported as deferred outflows resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31:

2019	\$ 57,405
2020	12,411
2021	(141,180)
2022	<u>(89,911)</u>
Total	<u>\$ (161,275)</u>

The amounts reported as deferred outflows of resources related to employer contributions to the plan made subsequent to the measurement date \$1,047,313 which will impact the net pension liability in fiscal year 2019, as opposed to being amortized to pension expense over a period of year.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

COMPONENT UNIT – GLADWIN CITY-COUNTY TRANSIT

Description of Plan and Plan Assets

The Gladwin City-County Transit is included with the Gladwin Housing Commission pension plan and is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.25% for employees times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2017.

General Information about the Pension Plan

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

01 – HC: Open Division

	<u>2017 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	3 years
COLA for Future Retirees	2.5% (non-compound)
Employee Contributions	6%
Act 88:	Yes (Adopted 8/1/2007)

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>17</u>
	35

Funding

Contributions - The Transit is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions were 13.93% based on annual payroll for open division.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Net Pension Liability

The Transit's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75% net of investment and administrative expense including inflation

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the most recent actuarial experience study of 2009- 2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2016, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	8.65%
Global Fixed Income	18.5%	3.76%
Real Assets	13.5%	9.72%
Diversifying Strategies	12.5%	7.50%

Discount Rate. The discount rate used to measure the total pension liability is 8.00% for 2017. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	\$ 3,808,762	\$ 2,738,336	\$ 1,070,426
Service cost	64,919	-	64,919
Interest on total pension liability	294,953	-	294,953
Changes in benefits	-	-	-
Difference between expected and actual experience	(94,719)	-	(94,719)
Changes in assumptions	-	-	-
Employer contributions	-	85,782	(85,782)
Employee contributions	-	35,805	(35,805)
Net investment income	-	353,230	(353,230)
Benefit payments, including employee refunds	(308,608)	(308,608)	-
Administrative expense	-	(5,608)	5,608
Net changes	(43,455)	160,601	(204,056)
Balances as of December 31, 2017	\$ 3,765,307	\$ 2,898,937	\$ 866,370

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Transit, calculated using the discount rate of 8.00%, as well as what the Transit's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability at 12/31/17	\$-	\$866,370	\$-
Change in Net Pension Liability (NPL)	\$343,687	\$-	\$(296,863)
Calculated NPL	\$1,210,057	\$866,370	\$569,507

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended, 2018, the Transit recognized pension expense of \$188,361. At September 30, 2018, the Transit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions to the plan subsequent to the measurement date*	\$ 46,113	\$ -
Difference in experience	94,538	80,802
Difference in assumptions	42,939	-
Net difference between projected and actual earnings on pension plan investments**	-	57,570
Total	<u>\$ 183,590</u>	<u>\$ 138,372</u>

*The amount reported as deferred outflow of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the fiscal year ending December 31, 2019.

**Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recorded in pension expense as follows:

<u>Year Ended December 31:</u>	
2019	\$ 70,050
2020	27,267
2021	(69,838)
2022	<u>(28,374)</u>
Total	<u>\$ (895)</u>

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS

PRIMARY GOVERNMENT

Plan Description – The County sponsors a single employer defined benefit retiree health care plan (Plan) to all employees provided proper application is made prior to retirement and the employee is a member of the Plan on the date of retirement. The County reimburses the amount of validated claims for medical, dental and hospitalization costs incurred by pre-Medicare retirees and their dependents based upon the employee's number of years of service. Expenditures for postretirement healthcare benefits are recognized as retirees report claims. As of December 31, 2018, the County has not advance funded any portion of the liability. Therefore, financial statements for the plan are not prepared nor are they included in the financial statements of any other plan or the primary government.

Funding Policy – The County has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment; therefore, the Plan may be financed on a pay-as-you-go basis. For the year ended December 31, 2017, the County contributed \$174,298 to the plan for current premiums and no additional amount to prefund benefits.

Employees Covered by Benefit Terms

As of Actuarial date 1/1/16, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits payments	44
Inactive employees entitled to but not yet receiving benefits	-
Active employees	82
Total participants covered by OPEB Plan	<u>126</u>

The County's OPEB Plan is closed to new entrants.

Total OPEB Liability and Net OPEB Liability

The County's total OPEB liability of \$8,034,417 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

As of December 31, 2017, there was \$0 in assets in the County's OPEB trust, primarily in Short Term Bonds.

Actuarial assumptions and other inputs.

The total OPEB liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	3.25%
Healthcare Cost Trend Rates	9.0% graded down 0.5% per year
Return on Plan Assets	N/A
Salary Increases	3.75%
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on a blend of the RP – 2014 mortality tables Health Annuity Mortality, Employee Mortality, Juvenile Mortality, all of which were based on an experience study from 2000-2013, a 50% male 50% female blend.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

PRIMARY GOVERNMENT

Discount Rate

The discount rate used to measure the total OPEB liability was 3.25%. The projection of cash flows used to determine the discount rate assumed future County contributions. Based on this assumptions, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at January 1, 2017	\$ 7,663,633	\$ -	\$ 7,663,633
Service cost	298,846	-	298,846
Interest	246,236	-	246,236
Contributions - Employer	-	174,298	(174,298)
Benefit payments	(174,298)	(174,298)	-
Net changes	370,784	-	370,784
Balances as December 31, 2017	\$ 8,034,417	\$ -	\$ 8,034,417

Covered payroll was \$3,298,735.

Total OPEB Liability as a percentage of covered payroll was 246%.

Sensitivity of the total OPEB liability to changes in the discount rate.

The January 1, 2016 valuation was prepared using a discount rate of 3.25%. If the discount rate were 1% higher than what was used in this valuation, the net OPEB Liability would decrease \$1,053,000. If the discount rate were 1% lower than was used in this valuation, the net OPEB Liability would increase \$1,318,000. Other information was not available.

Sensitivity of the total OPEB liability to changes in the healthcare trend rate.

The January 1, 2016 valuation was prepared using a discount rate of 9.00%. If the trend rate were 1% higher than what was used in this valuation, the net OPEB Liability would increase \$1,487,000. If the trend rate were 1% lower than was used in this valuation, the net OPEB Liability would decrease \$1,153,000. Other information was not available.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

PRIMARY GOVERNMENT

For the year ended December 31, 2018, the County recognized an OPEB expense as follows:

Service Cost	\$ 298,846
Interest on total OPEB liability	<u>246,236</u>
Net OPEB Expense	<u>\$ 545,082</u>

COMPONENT UNIT – GLADWIN COUNTY ROAD COMMISSION

Plan Description – The Road Commission provides healthcare and prescription drug benefits to all full-time employees hired prior to August 19, 2009 upon retirement in accordance with labor contracts. Employees hired after August 19, 2009 who retire for any reason, will not be eligible for health insurance, dental insurance, vision insurance, life insurance, or the hearing aid rider. These employees will be required to contribute a minimum of one percent (1%) of their pay through payroll deduction to a Healthcare Savings Program (HSCP) through MERS. The Road Commission will also contribute a maximum amount equal to one percent (1%) of an employee's pay to an employee's HCSP.

At year-end, membership in the Plan was comprised of 29 inactive plan members either receiving or entitled to future benefits, 17 covered spouses and 18 active plan members. The Road Commission includes retirees and their spouses in its insured healthcare plan. Previous eligible employees who retired on or before October 31, 2005 are not required to contribute to their healthcare plan, in accordance with labor contracts. Previous eligible employees who retired after October 31, 2005 are required to contribute monthly to their healthcare plans in the same amounts as required for active employees, in accordance with labor contracts. The monthly contribution amounts for eligible retirees and active employees vary based on the single, two person, and family coverage, and will also vary each year based on the cost of healthcare.

Effective July 1, 2012, the employer's contribution towards healthcare cannot exceed those amounts permitted by Public Act 152 (PA 152) of 2011; Publicly Funded Health Insurance Contribution Act, with maximum amounts revised July 1st of each year. Eligible retirees and active employees are required to contribute monthly towards healthcare costs that exceed employer amounts allowed under PA 152.

Funding Policy and Contributions – The contribution requirements of plan members and the Road Commission are established by labor contracts and may be amended by the Board of County Road Commissioners through labor negotiations. The Plan does not require member contributions from Road Commission employees. The required contribution is based on projected pay-as-you-go financing requirements, with optional additional amounts to prefund benefits as determined by the board of County Road Commissioners.

Annual OPEB Cost and Net OPEB Liability – The Road Commission's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the *actuarially determined contribution of the employer (ADC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any UAALs (or funding excess) over a period of 6 years.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)**COMPONENT UNIT – GLADWIN COUNTY ROAD COMMISSION**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future.

Participants Covered by the Benefit Terms – At the measurement date, the following participants were covered by the benefit terms:

Inactive plan members receiving or entitled to future benefits	29
Covered spouses	17
Active participants	<u>18</u>
Total Participants	<u>64</u>

Contributions – Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due. During the year, the Road Commission paid current retiree premiums of \$262,921 and made advance funding contributions of \$25,000. The premiums for postemployment healthcare benefits and the advance funding payments were paid from and recorded as expenditures in the General Operating / Road Fund.

Net OPEB Liability – The net OPEB liability reported at year-end was determined using a measure of the total OPEB liability and the OPEB net position s of December 31, 2018. The December 31, 2018 total OPEB liability was determined by an actuarial valuation performed as of that date. Changes in the Road Commission's proportionate share of the net OPEB liability during the year were as follows:

	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
Balances at December 31, 2017	<u>\$ 6,297,524</u>	<u>\$ 189,524</u>	<u>\$ 6,108,000</u>
Service cost	79,743	-	79,743
Interest	187,374	-	187,374
Difference between expected and actual experience	(1,008,245)	-	(1,008,245)
Changes in actuarial assumptions	3,336,801		3,336,801
Contributions - OPEB Trust	-	262,921	(262,921)
Contributions - Benefits Paid		25,000	(25,000)
Net investment income	-	(7,542)	7,542
Benefit payments	(262,921)	(262,921)	-
Administrative expense	-	(472)	472
Net changes	<u>2,332,752</u>	<u>16,986</u>	<u>2,315,766</u>
Balances as December 31, 2018	<u>\$ 8,630,276</u>	<u>\$ 206,510</u>	<u>\$ 8,423,766</u>

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

COMPONENT UNIT – GLADWIN COUNTY ROAD COMMISSION

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB – During the year the Road Commission recognized OPEB expense of \$1,404,432. At year-end, the Road Commission reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 511,573
Changes of assumptions	1,693,057	-
Net difference between projected and actual earnings on OPEB plan investments	17,770	-
Total	<u>\$ 1,710,827</u>	<u>\$ 511,573</u>

The Net amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2019	\$ 1,151,514
2020	38,854
2021	4,442
2022	<u>4,444</u>
Total	<u>\$ 1,199,254</u>

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The valuation of the total OPEB liability was determined using the following actuarial assumptions (a) 2.50% inflation, (b) projected salary increases of 3%, (c) 7.75% net investment rate of return, (d) 20 year Aa municipal bond rate of 3%, (e) projected health care premium increases of 8.5% graded down 0.25% per year to 4.5% Pre-Medicare; 7.00% graded down 0.25% per year to 4.5% Post-Medicare, and (f) mortality rates using the RP-2014 adjusted to 2006 total data set, headcount-weighted, MP-2018 no pre-retirement mortality.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)**COMPONENT UNIT – GLADWIN COUNTY ROAD COMMISSION**

Discount Rate – The discount rate used to measure the total OPEB liability was 3.00%, the assets are not projected to be sufficient to make projected future payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (“the depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent rate that yields the same present value of benefits is calculated.

Investment Rate of Return – The long-term rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates by the target asset allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the retirement plan’s target asset allocation are summarized below. The sum of each target allocation times its long-term expected real rate is 5.25%. the long-term expected rate of return after including inflation is 7.75%.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.50%	6.15%
Global Fixed Income	18.50%	1.26%
Real Assets	13.50%	7.22%
Diversifying Strategies	12.50%	5.00%

Concentrations – The plan is 100% in the MERS Total Market Fund.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – the following presents the Road Commission’s net OPEB liability (asset), calculated using the discount rate of 3.00% as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower (2.00%) or one percent higher(4.00%) than the current rate:

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB liability	\$9,842,974	\$8,423,766	\$7,297,130

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – the following presents the Road Commission’s net OPEB liability (asset), calculated using the assumed cost trend rate, as well as what the net OPEB liability (asset) would be if it were calculated using a cost trend rate that is 1% lower or one percent higher than the current rate

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)**COMPONENT UNIT – GLADWIN COUNTY ROAD COMMISSION**

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$7,257,084	\$8,423,766	\$9,885,797

COMPONENT UNIT – GLADWIN CITY-COUNTY TRANSIT

Plan description – The Housing Commission’s defined benefit OPEB plan, provides postemployment healthcare benefits to certain retirees. The Housing Commission’s employees become eligible for post-employment healthcare benefits if they retire with 30 years of service at the Housing Commission. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Housing Commission. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan is closed and all eligible employees are currently receiving benefits.

Benefits provided – The Housing Commission provides healthcare benefits for retirees and their spouses. The benefit terms provide for payment of 90 percent of health insurance premiums for non-Medicare-eligible retirees and 90 percent of supplemental health insurance premiums for Medicare-eligible retirees.

Employees Covered by Benefit Terms – At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits payments	3
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
Total participants covered by OPEB Plan	<u>3</u>

Total OPEB Liability

The Housing Commission’s total OPEB liability of \$239,040 was measured as of September 30, 2018, and was determined by using the alternative measurement method as of that date.

Actuarial assumptions and other inputs – The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless other specified:

Inflation	3.0 percent
Salary increases	3.0 percent, average, including inflation
Discount rate	4.24 percent
Healthcare cost trend rates	5.5 percent for 2019-2020, increasing 0.2 percent per year to an ultimate rate of 5.7 percent for 2021 and later years
Retirees' share of benefit-related	90 percent of projected health insurance premiums for costs retirees

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

COMPONENT UNIT – GLADWIN CITY-COUNTY TRANSIT

The discount rate was based on 4.24 percent based on the index rate for 20-year tax-exempt muni bonds with rating of AAA or higher.

Mortality rates were based on the National Vital Statistics Mortality Table for Males or Females, as appropriate.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of the alternative measurement method for the period of October 1, 2017 – September 30, 2018.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 246,229
Changes for the year:	
Changes in assumptions or other inputs	6,856
Benefit payments	<u>(14,045)</u>
Net change	<u>(7,189)</u>
Net OPEB Expense	<u>\$ 239,040</u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Housing Commission, as well as what the Housing Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.24 percent) or 1-percentage-point higher (5.24 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$259,504	\$239,040	\$220,782

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates – The following presents the total OPEB liability of the Housing Commission's, as well as what the Housings Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5 percent) or 1-percentage-point higher (6.5 percent) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$22,0851	\$139,072	\$259,014

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

COMPONENT UNIT – GLADWIN CITY-COUNTY TRANSIT

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the Housing Commission recognized a decrease in OPEB expense of \$7,189. At September 30, 2018, the Housing Commission did not report any deferred outflows of resources or deferred inflows of resources related to OPEB due to using the alternative measurement method to calculate their OPEB liability, which allowed the measurement date to be the same as their fiscal year end. Since the Housing Commission has a closed plan, the remaining service life would be zero. Since the changes in assumptions are amortized over the remaining service life and the remaining service life is zero, there isn't any expense that needs to be amortized over future years.

The total OPEB expense recognized as calculated by the alternative measurement method is \$10,049. The entire amount of \$10,049 was expensed on the books and is reported in 50202 Other Post-Employment Benefits (OPEB). Below is a tracking schedule for OPEB payments actually paid that exceed the calculated OPEB expense:

2018	<u>\$ 7,189</u>
------	-----------------

NOTE 9 - RISK MANAGEMENT

The County is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The County manages risk through the purchase of commercial insurance.

Liability, Vehicle Physical Damage, and Property and Crime – The County is a member of the Michigan Municipal Liability and Property Pool, which is an association organized to purchase commercial insurance for protection against loss for Michigan cities, counties, townships and special service governments. The County is insured up to the following limits: Liability - \$5,000,000, vehicle physical damage - \$5,000,000 and property and crime - \$5,000,000, subject to deductibles of \$1,000, \$100 - \$250 and \$1,000, respectively. The County is not subject to supplemental premium assessments by the association.

Workers' Compensation – The County purchases coverage through the Michigan Municipal Workers' Compensation Fund. The Fund is authorized by State law to provide its members with coverage required by the Workers' Disability Compensation Act. Claims are subject to a maximum limit of \$500,000 per occurrence.

NOTE 10 - CONTINGENT LIABILITIES

The County has been named as a defendant in various litigation involving lawsuits pending and notices of intent to file suit. Management and legal counsel of the County expect no material losses in excess of insurances should an unfavorable outcome prevail. No provision for any loss has been made in the accompanying financial statements.

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such grants could lead to reimbursement to the grantor agencies. However, County management does not believe such disallowances, if any, will be material to the financial position of the County.

NOTE 11 - RESTRICTED NET POSITION

Restrictions of the net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of December 31, 2018.

PRIMARY GOVERNMENT	
Governmental Activities	
Specific Fund Purposes	<u>\$ 4,620,245</u>
COMPONENT UNITS	
City/County Transit	
Restricted for Other Purposes	<u>\$ 148,577</u>
Board of Public Works	
Restricted for Debt Service	<u>\$ 1</u>

NOTE 12 - RESTATEMENT**Primary Government**

	<u>Governmental Net Position</u>	<u>Wireless E 911 Fund Balance</u>
Beginning net position as previously stated at January 1, 2018	\$ (4,7998,36)	837,037
Restatement of Net Position – for implementation of GASB 75 – OPEB cumulative effect	(4,195,042)	
Restatement of Fund Balance – related to booking back expenses to prior period	<u>(36,947)</u>	<u>(36,947)</u>
Beginning net position as restated at January 1, 2018	<u>\$ (9,031,825)</u>	<u>\$ 800,090</u>

Gladwin County Road Commission

	<u>Governmental Net Position</u>
Beginning net position as previously stated at January 1, 2018	\$ 22,970,069
Restatement of Net Position – for implementation of GASB 75 – OPEB cumulative effect	<u>(2,868,137)</u>
Restatement of Fund Balance – Adjustment for net pension liability error	<u>(342,952)</u>
Beginning net position as restated at January 1, 2018	<u>\$ 19,758,980</u>

NOTE 12 - RESTATEMENT (Continued)

Gladwin City-County Transit

	<u>Governmental Net Position</u>
Beginning net position as previously stated at January 1, 2018	\$ 1,456,604
Restatement of Net Position – for implementation of GASB 75 – OPEB cumulative effect	<u> (246,229)</u>
Beginning net position as restated at January 1, 2018	<u>\$ 1,210,375</u>

Required Supplementary Information

County of Gladwin, Michigan

Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in the Employers' Net Pension Liability and Related Ratios
For the Year Ended December 31, 2018

Primary Government - Pension Plan Trust

	2015	2016	2017	2018
Total pension liability				
Service cost	\$ 412,408	\$ 409,864	\$ 441,552	\$ 405,701
Interest	1,569,370	1,644,938	1,758,130	1,841,259
Difference between expected and actual experience	-	94,615	52,225	(451,432)
Changes of assumptions	-	1,161,028	-	-
Other	(7,401)	(133,513)	49,672	(7,994)
Benefit payments, including refund of member contributions	(1,017,989)	(1,096,266)	(1,213,335)	(1,275,726)
Net change in total pension liability	956,388	2,080,666	1,088,244	511,808
Total pension liability - beginning	19,325,458	20,281,846	22,362,512	23,450,756
Total pension liability - ending	<u>\$ 20,281,846</u>	<u>\$ 22,362,512</u>	<u>\$ 23,450,756</u>	<u>\$ 23,962,564</u>
Plan fiduciary net position				
Contributions - employer	\$ 609,169	\$ 577,523	\$ 679,332	\$ 749,545
Contributions - employee	164,714	174,133	177,721	188,272
Net investment income	(210,882)	1,540,528	1,945,469	(636,431)
Benefit payments, including refunds of member contributions	(1,017,989)	(1,096,266)	(1,213,335)	(1,275,726)
Other	-	-	2	(1)
Administrative expense	(30,827)	(30,395)	(30,808)	(31,593)
Net change in plan fiduciary net position	(485,815)	1,165,523	1,558,381	(1,005,934)
Plan fiduciary net position - beginning	14,078,802	13,592,987	14,758,510	16,316,891
Plan fiduciary net position - ending	<u>\$ 13,592,987</u>	<u>\$ 14,758,510</u>	<u>\$ 16,316,891</u>	<u>\$ 15,310,957</u>
Net pension liability - ending	<u>\$ 6,688,859</u>	<u>\$ 7,604,002</u>	<u>\$ 7,133,865</u>	<u>\$ 8,651,607</u>
Plan fiduciary net position as a percentage of the total pension liability	67.02%	66.00%	69.58%	63.90%
Covered - employee payroll	\$ 3,387,358	\$ 3,382,771	\$ 3,710,408	\$ 3,612,563

County of Gladwin, Michigan

Required Supplementary Information Employee Retirement and Benefit Systems Schedule of Contributions For the Year Ended December 31, 2018

	2015	2016	2017	2018
Actuarially determined contribution	\$ 549,097	\$ 577,523	\$ 679,332	\$ 718,776
Contributions in relation to the actuarially determined contribution	523,929	577,523	679,332	749,545
Contribution deficiency (excess)	\$ 25,168	\$ -	\$ -	\$ (30,769)
Covered - employee payroll	\$ 3,387,358	\$ 3,382,771	\$ 3,710,408	\$ 3,612,563
Contributions as a percentage of covered-employee payroll	15.47%	17.07%	18.31%	20.75%

Notes to Schedule:

Valuation date: December 31, 2017

Actuarially determined contribution rates are calculated as of December 31st each year, which is twelve months prior to the beginning of the fiscal year in which contributions were reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal Cost
Amortization methods	Level percent of payroll
Remaining amortization period	19 years (closed)
Asset valuation method	Market-related value with 5-year smoothing
Inflation	2.75% per year
Salary increases	3.50% to 5.00% including inflation
Investment rate of return	7.25%
Retirement age	Experience-based table of rates that are specific to the type of eligibility
Mortality	RP 2014 Generation Mortality Tables, blue-collar adjustment, projected with scale BB.

Gladwin County, Michigan

Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in the OPEB Liability and Related Ratios
Year Ended December 31, 2018

	Measurement Date 12/31/2017
Total OPEB Liability - Beginning of Year	\$ 7,663,633
Service cost	298,846
Interest	246,236
Benefit payments	(174,298)
OPEB Liability - End of Year	\$ 8,034,417
Plan fiduciary net position	
Contributions - employer	\$ 174,298
Benefit payments	(174,298)
Net change in plan fiduciary net position	-
Plan fiduciary net position - Beginning of Year	-
Plan fiduciary net position - End of Year	\$ -
Net OPEB liability - End of Year	\$ 8,034,417
Plan fiduciary net position as a percentage of the total OPEB liability	0%
Covered Payroll	\$ 3,298,735
Net OPEB liability as a percentage of covered payroll	243.56%
Schedule of Employer Contributions	
Actuarially determined contribution	174,298
Actual Contribution	174,298
Contribution deficiency/(excess)	\$ -
Covered Payroll	\$ 3,298,735
ADC as a percentage of payroll	5.28%
Key Assumptions:	
Census Collection Date	January 1, 2016
Discount rate	3.25%
Year 1 per 65 inflation rates (Medical/RX)	9.50%
Year 2 inflation rate	9.00%
Ultimate inflation rate	4.50%
Year Ultimate inflation rate is reached	2026
Actuarial Cost Method	Entry age normal (percent of salary)

County of Gladwin, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,465,255	\$ 4,598,747	\$ 4,613,825	\$ 15,078
Licenses and Permits	384,400	476,443	435,281	(41,162)
Federal	175,056	175,056	181,089	6,033
State	1,116,691	1,146,426	1,127,417	(19,009)
Local	9,000	9,000	9,000	-
Charges for Services	1,327,502	1,420,537	1,311,452	(109,085)
Fines and Forfeits	72,350	72,350	55,082	(17,268)
Interest and Rents	87,800	89,077	90,598	1,521
Reimbursements	340,313	377,380	295,302	(82,078)
Other Revenue	134,880	245,966	240,325	(5,641)
TOTAL REVENUES	8,113,247	8,610,982	8,359,371	(251,611)
EXPENDITURES:				
Legislative				
Board of commissioners	157,466	252,660	252,531	129
Judicial				
Circuit court	427,997	420,902	420,805	97
District court	512,255	517,017	516,763	254
Friend of the court	340,186	290,059	289,948	111
Jury	350	350	318	32
Law Library	9,000	9,000	8,867	133
Probate court	329,482	340,407	340,325	82
Circuit court probation	1,050	800	776	24
Total Judicial	1,620,320	1,578,535	1,577,802	733
General Government				
Elections	79,000	48,301	48,219	82
Clerk	299,759	317,032	316,973	59
Equalization	170,728	181,185	181,065	120
GIS	10,900	7,350	7,233	117
Prosecuting attorney	395,587	412,780	412,672	108
Register of deeds	168,189	166,053	166,005	48
Treasurer	285,786	293,762	293,735	27
State survey & remonumentation	40,000	47,259	47,259	-
Cooperative extension	100,900	101,385	97,183	4,202
Computers	121,500	65,750	65,474	276
Building and grounds	345,807	339,554	339,331	223
Drain commission	33,113	46,797	46,793	4
Duplicator	53,400	60,139	60,139	-
Telephone contract	37,200	46,035	46,035	-
Mail department	40,000	44,935	44,864	71
Audit	29,500	29,500	29,395	105
Total General Government	2,211,369	2,207,817	2,202,375	5,442

County of Gladwin, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety				
Sheriff department	1,240,615	1,271,562	1,271,150	412
Traffic enforcement	94,693	106,233	106,186	47
Secondary road patrol	94,303	94,323	94,107	216
Marine	7,450	14,947	14,891	56
Courthouse security	60,700	77,213	77,212	1
Jail	1,366,917	1,416,138	1,416,484	(346)
Inmate meals	146,880	153,949	153,948	1
Construction code	191,994	225,828	225,581	247
Planning commission	2,200	3,812	3,810	2
Zoning department	44,502	53,241	53,208	33
911	817,216	762,281	761,295	986
Emergency management	59,987	56,869	56,787	82
Animal control	142,501	162,475	162,305	170
Total Public Safety	4,269,958	4,398,871	4,396,964	1,907
Public Works				
DPW	800	550	538	12
Drains at large	8,000	26,403	26,403	-
Total Public Works	8,800	26,953	26,941	12
Health and Welfare				
Public health	192,500	186,057	186,018	39
Contagious disease	500	-	-	-
Substance abuse	36,333	37,834	37,833	1
Mental health	91,531	91,531	91,531	-
Mental health guardianship	12,620	17,484	17,484	-
Veterans	73,538	80,674	82,085	(1,411)
Soldiers & sailors	-	-	3,531	(3,531)
Medical examiner	72,200	76,632	76,632	-
Total Health and Welfare	479,222	490,212	495,114	(4,902)
Recreation & Culture				
Parks	3,500	3,500	2,711	789
Other				
Insurance and bonds	287,300	292,353	292,352	1
Health insurance	126,343	214,211	214,211	-
Retirement	30,000	30,000	30,000	-
City/County airport	12,500	12,500	12,500	-
Total Other	456,143	549,064	549,063	1
Capital Outlay	113,976	346,914	346,911	3
Total Expenditures	9,320,754	9,854,526	9,850,412	4,114

County of Gladwin, Michigan**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		(Negative)
Excess (Deficiency) of revenues over expenditures	(1,207,507)	(1,243,544)	(1,491,041)	(247,497)
OTHER FINANCING SOURCES & (USES):				
Transfers In	1,429,185	1,451,572	1,451,872	300
Transfers Out	(218,640)	(204,990)	(207,082)	(2,092)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 3,038</u>	<u>\$ 3,038</u>	(246,251)	<u>\$ (249,289)</u>
FUND BALANCE, JANUARY 1			<u>906,003</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 659,752</u>	

Required Supplementary Information
 Budgetary Comparison Schedule
 Emergency Medical Services Fund
 For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 470,108	\$ 470,108
Interest and Rents	-	-	14,588	14,588
TOTAL REVENUES	-	-	484,696	484,696
EXPENDITURES:				
Health & Welfare	-	-	683,791	(683,791)
TOTAL EXPENDITURES	-	-	683,791	(683,791)
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	(199,095)	\$ (199,095)
FUND BALANCE, JANUARY 1			2,275,242	
FUND BALANCE, DECEMBER 31			\$ 2,076,147	

County of Gladwin, Michigan

Required Supplementary Information Budgetary Comparison Schedule E 911 Millage Fund For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 709,114	\$ 709,114	\$ 711,568	\$ 2,454
Interest and Rents	-	-	4,685	4,685
TOTAL REVENUES	709,114	709,114	716,253	7,139
EXPENDITURES:				
Public Safety	-	-	2,565	(2,565)
TOTAL EXPENDITURES	-	-	2,565	(2,565)
EXCESS OF REVENUES OVER EXPENDITURES	709,114	709,114	713,688	4,574
OTHER FINANCING SOURCES & (USES)				
Transfers to other funds	-	-	(817,216)	(817,216)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 709,114</u>	<u>\$ 709,114</u>	(103,528)	<u>\$ (812,642)</u>
FUND BALANCE, JANUARY 1			800,404	
FUND BALANCE, DECEMBER 31			<u>\$ 696,876</u>	

County of Gladwin, Michigan

Required Supplementary Information Budgetary Comparison Schedule Wireless E 911 Fund For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State	\$ 156,400	\$ 156,400	\$ 170,956	\$ 14,556
Interest and Rents	1,000	1,000	6,556	5,556
TOTAL REVENUES	157,400	157,400	177,512	20,112
EXPENDITURES:				
Public Safety	129,200	129,200	21,829	107,371
TOTAL EXPENDITURES	129,200	129,200	21,829	107,371
EXCESS OF REVENUES OVER EXPENDITURES	\$ 28,200	\$ 28,200	155,683	\$ 127,483
FUND BALANCE, JANUARY 1 (As Restated See Note 12)			800,090	
FUND BALANCE, DECEMBER 31			\$ 955,773	

County of Gladwin, Michigan**Required Supplementary Information
Budgetary Comparison Schedule
Senior Citizens Program Fund
For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 474,363	\$ 474,363
Interest and Rents	-	-	298	298
TOTAL REVENUES	-	-	474,661	474,661
EXPENDITURES:				
Health & Welfare	-	-	529,014	(529,014)
TOTAL EXPENDITURES	-	-	529,014	(529,014)
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	(54,353)	\$ (54,353)
FUND BALANCE, JANUARY 1			62,159	
FUND BALANCE, DECEMBER 31			\$ 7,806	

Other Information

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Special Revenue Funds							
	Friend of the Court	Animal Shelter Millage	Gypsy Moth	Braault Road Tower	Economic Development Administration	Courthouse Preservation	Economic Development Revolving	Register of Deeds Technology
ASSETS:								
Cash and Equivalents	\$ 155,399	\$ 46,243	\$ 30,765	\$ 15,500	\$ 34,542	\$ 657	\$ 43,493	\$ 53,673
Accounts Receivable	-	-	-	-	-	-	70,105	-
Taxes Receivable	-	180,062	-	-	-	-	-	-
Due from Other Governmental Units	29,935	-	-	-	3,000	-	-	-
TOTAL ASSETS	\$ 185,334	\$ 226,305	\$ 30,765	\$ 15,500	\$ 37,542	\$ 657	\$ 113,598	\$ 53,673
LIABILITIES:								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ -
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ -
DEFERRED INFLOWS OF RESOURCES:								
Property Taxes Levied for Subsequent Period	-	195,173	-	-	-	-	-	-
Other State Grants	-	-	-	-	-	-	70,105	-
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ -	\$ 195,173	\$ -	\$ -	\$ -	\$ -	\$ 70,105	\$ -
FUND BALANCES:								
Restricted	185,334	31,132	30,765	15,500	37,542	657	40,493	53,673
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 185,334	\$ 31,132	\$ 30,765	\$ 15,500	\$ 37,542	\$ 657	\$ 40,493	\$ 53,673
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 185,334	\$ 226,305	\$ 30,765	\$ 15,500	\$ 37,542	\$ 657	\$ 113,598	\$ 53,673

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Special Revenue Funds							
	FEMA Flood Mapping	Marriage Counseling	Concealed Pistol	Corrections Officer Training	Drug Enforcement	County Library	CDBG	E-911 4% Surcharge
ASSETS:								
Cash and Equivalents	\$ 1,301	\$ 34,147	\$ 34,452	\$ 31,303	\$ 6,090	\$ 762	\$ 89,641	\$ 285,481
Accounts Receivable	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,301	\$ 34,147	\$ 34,452	\$ 31,303	\$ 6,090	\$ 762	\$ 89,641	\$ 285,481
LIABILITIES:								
Accounts Payable	\$ -	\$ -	\$ 187	\$ -	\$ -	\$ -	\$ -	\$ 5,760
TOTAL LIABILITIES	-	-	187	-	-	-	-	5,760
DEFERRED INFLOWS OF RESOURCES:								
Property Taxes Levied for Subsequent Period	-	-	-	-	-	-	-	-
Other State Grants	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-
FUND BALANCES:								
Restricted	1,301	34,147	34,265	31,303	6,090	-	-	279,721
Committed	-	-	-	-	-	762	89,641	-
Assigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	1,301	34,147	34,265	31,303	6,090	762	89,641	279,721
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,301	\$ 34,147	\$ 34,452	\$ 31,303	\$ 6,090	\$ 762	\$ 89,641	\$ 285,481

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Special Revenue Funds							
	Commissary	Sheriff Training	Jail Telephone	Project Fresh	DIIS - Child Care	Probate Court Child Care	Veterans	Veterans Brouillard
ASSETS:								
Cash and Equivalents	\$ 6,879	\$ 8,081	\$ 6,999	\$ 1,930	\$ 16,113	\$ 25,535	\$ 375	\$ 18,271
Accounts Receivable	-	-	-	-	-	9,877	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 6,879	\$ 8,081	\$ 6,999	\$ 1,930	\$ 16,113	\$ 35,412	\$ 375	\$ 18,271
LIABILITIES:								
Accounts Payable	\$ -	\$ -	\$ 981	\$ -	\$ 824	\$ 4,566	\$ -	\$ -
TOTAL LIABILITIES	\$ -	\$ -	\$ 981	\$ -	\$ 824	\$ 4,566	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES:								
Property Taxes Levied for Subsequent Period	-	-	-	-	-	-	-	-
Other State Grants	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES:								
Restricted	-	8,081	6,018	-	15,289	30,846	375	-
Committed	-	-	-	-	-	-	-	-
Assigned	6,879	-	-	1,930	-	-	-	18,271
TOTAL FUND BALANCES	\$ 6,879	\$ 8,081	\$ 6,018	\$ 1,930	\$ 15,289	\$ 30,846	\$ 375	\$ 18,271
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,879	\$ 8,081	\$ 6,999	\$ 1,930	\$ 16,113	\$ 35,412	\$ 375	\$ 18,271

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Special Revenue Funds	Disaster Contingency	Totals
ASSETS:			
Cash and Equivalents	\$ 3,501	\$	\$ 951,133
Accounts Receivable	-	-	79,982
Taxes Receivable	-	-	180,062
Due from Other Governmental Units	-	-	32,935
TOTAL ASSETS	\$ 3,501	\$	\$ 1,244,112
LIABILITIES:			
Accounts Payable	\$ -	\$	\$ 15,318
TOTAL LIABILITIES	-	-	15,318
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes Levied for Subsequent Period	-	-	195,173
Other State Grants	-	-	70,105
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	265,278
FUND BALANCES:			
Restricted	-	-	842,532
Committed	-	-	90,403
Assigned	3,501	-	30,581
TOTAL FUND BALANCES	3,501	-	963,516
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,501	\$	\$ 1,244,112

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2018**

	Special Revenue Funds							
	Friend of the Court	Animal Shelter Millage	Gypsy Moth	Breault Road Tower	Economic Development Administration	Courthouse Preservation	Economic Development Revolving	Register of Deeds Technology
REVENUES:								
Taxes	\$ -	\$ 184,483	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	67,554	-	-	-	6,199	-	-	-
State	16,344	-	-	-	-	-	-	-
Local	-	-	-	-	26,985	-	-	-
Charges for Services	6,320	-	-	-	-	-	16,264	37,295
Interest and Rents	-	55	39	6,000	138	-	-	54
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	90,218	184,538	39	6,000	33,322	-	16,264	37,349
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	42,685
Public Safety	-	-	-	-	-	-	-	-
Health and Welfare	-	-	38,655	-	-	-	-	-
Community and Economic Development	-	-	-	-	25,302	-	38,557	-
Recreation and Culture	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	38,655	-	25,302	-	38,557	42,685
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	90,218	184,538	(38,616)	6,000	8,020	-	(22,293)	(5,336)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	7,500	-	-	-
Operating Transfers Out	(68,000)	(153,406)	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	22,218	31,132	(38,616)	6,000	15,520	-	(22,293)	(5,336)
FUND BALANCES, BEGINNING OF YEAR	163,116	-	69,381	9,500	22,022	657	62,786	59,009
FUND BALANCES, END OF YEAR	\$ 185,334	\$ 31,132	\$ 30,765	\$ 15,500	\$ 37,542	\$ 657	\$ 40,493	\$ 53,673

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2018**

	Special Revenue Funds									
	FEMA Flood Mapping	Marriage Counseling	Concealed Pistol	Corrections Officer Training	Drug Enforcement	County Library	CDBG	E-911 4% Surcharge		
REVENUES:										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	-
Federal	-	-	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	33,819	-	-
Local	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	2,700	18,478	5,310	-	-	-	72,360	124,573	-
Interest and Rents	-	-	-	-	-	-	-	63	367	-
Other Revenue	-	-	-	-	-	762	-	-	-	-
TOTAL REVENUES	-	2,700	18,478	5,310	-	762	106,242	-	124,940	-
EXPENDITURES:										
Judicial	-	2,200	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	4,776	2,716	230	-	-	-	82,526	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Community and Economic Development	-	-	-	-	-	-	61,408	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	2,200	4,776	2,716	230	-	61,408	-	82,526	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	500	13,702	2,594	(230)	762	44,834	-	42,414	-
OTHER FINANCING SOURCES (USES):										
Operating Transfers In	-	-	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	(18,000)	-	-	-	-	-	(9,390)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	500	(4,298)	2,594	(230)	762	44,834	-	33,024	-
FUND BALANCES, BEGINNING OF YEAR	1,301	33,647	38,563	28,709	6,320	-	44,807	-	246,697	-
FUND BALANCES, END OF YEAR	\$ 1,301	\$ 34,147	\$ 34,265	\$ 31,303	\$ 6,090	\$ 762	\$ 89,641	\$ -	\$ 279,721	\$ -

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue Funds							
	Commissary	Sheriff Training	Jail Telephone	Project Fresh	DIIS - Child Care	Probate Court - Child Care	Veterans	Veterans Brouillard
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	-	-	-	-	-	-	-	-
State	-	2,643	-	-	14,217	50,164	375	-
Local	-	-	-	-	-	-	-	-
Charges for Services	23,532	-	10,760	-	-	-	-	-
Interest and Rents	1	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	7,475	11,593	-	4,148
TOTAL REVENUES	23,533	2,643	10,760	-	21,692	61,757	375	4,148
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	36,873	3,400	22,095	-	-	-	-	-
Health and Welfare	-	-	-	-	8,141	128,189	-	3,273
Community and Economic Development	-	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	36,873	3,400	22,095	-	8,141	128,189	-	3,273
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,340)	(757)	(11,335)	-	13,551	(66,432)	375	875
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	600	92,000	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(13,340)	(757)	(11,335)	-	14,151	25,568	375	875
FUND BALANCES, BEGINNING OF YEAR	20,219	8,838	17,353	1,930	1,138	5,278	-	17,396
FUND BALANCES, END OF YEAR	\$ 6,879	\$ 8,081	\$ 6,018	\$ 1,930	\$ 15,289	\$ 30,846	\$ 375	\$ 18,271

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2018**

	Special Revenue Fund	Disaster Contingency	Totals
REVENUES:			
Taxes	-	\$	\$ 184,483
Federal	1,000		108,572
State	-		83,743
Local	-		26,985
Charges for Services	-		317,592
Interest and Rents	-		6,717
Other Revenue	-		23,978
TOTAL REVENUES	1,000		752,070
EXPENDITURES:			
Judicial	-		2,200
General Government	-		42,685
Public Safety	-		152,616
Health and Welfare	-		178,258
Community and Economic Development	-		125,267
Recreation and Culture	-		-
TOTAL EXPENDITURES	-		501,026
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,000		251,044
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	-		100,100
Operating Transfers Out	-		(248,796)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,000		102,348
FUND BALANCES, BEGINNING OF YEAR	2,501		861,168
FUND BALANCES, END OF YEAR	\$ 3,501		\$ 963,516

Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2018

	2017 Tax Revolving	2012 Tax Revolving	2013 Tax Revolving	2014 Tax Revolving	2015 Tax Revolving	2016 Tax Revolving	Totals
ASSETS:							
Cash and Equivalents	\$ 73,115	\$ -	\$ -	\$ -	\$ -	\$ 338,730	\$ 411,845
Taxes Receivable	218,748	-	-	-	7,150	13,391	239,289
TOTAL ASSETS	<u>\$ 291,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,150</u>	<u>\$ 352,121</u>	<u>\$ 651,134</u>
NET POSITION:							
Unrestricted	\$ 291,863	\$ -	\$ -	\$ -	\$ 7,150	\$ 352,121	\$ 651,134
TOTAL NET POSITION	<u>291,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,150</u>	<u>352,121</u>	<u>651,134</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 291,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,150</u>	<u>\$ 352,121</u>	<u>\$ 651,134</u>

**Combining Statement of Revenues, Expenses and
Changes in Net Position - Nonmajor Enterprise Funds
For the Year Ended December 31, 2018**

	2017 Tax Revolving	2012 Tax Revolving	2013 Tax Revolving	2014 Tax Revolving	2015 Tax Revolving	2016 Tax Revolving	Totals
OPERATING REVENUES:							
Interest and Penalties on Taxes	\$ 136,829	\$ -	\$ -	\$ 68	\$ 2,156	\$ 68,360	\$ 207,413
Administrative Fees	35,441	-	-	11	162	11,510	47,124
Total Operating Revenues	172,270	-	-	79	2,318	79,870	254,537
OPERATING EXPENSES:							
Other Supplies & Expenses	8,907	-	-	-	2,601	22,013	33,521
Total Operating Expenses	8,907	-	-	-	2,601	22,013	33,521
OPERATING INCOME (LOSS)	163,363	-	-	79	(283)	57,857	221,016
NON-OPERATING REVENUES (EXPENSES):							
Interest Income	99	-	52	247	488	384	1,270
Interest Expense	(5,050)	-	-	-	-	-	(5,050)
Total Non-Operating Revenues (Expenses)	(4,951)	-	52	247	488	384	(3,780)
Income (Loss) Before Transfers	158,412	-	52	326	205	58,241	217,236
Other Financing Sources (Uses)							
Operating Transfers Out	-	(36)	(234,432)	(414,561)	(386,376)	-	(1,035,405)
Total Other Financing Sources (Uses)	-	(36)	(234,432)	(414,561)	(386,376)	-	(1,035,405)
CHANGE IN NET POSITION	158,412	(36)	(234,380)	(414,235)	(386,171)	58,241	(818,169)
NET POSITION, BEGINNING OF YEAR	133,451	36	234,380	414,235	393,321	293,880	1,469,303
NET POSITION, END OF YEAR	\$ 291,863	\$ -	\$ -	\$ -	\$ 7,150	\$ 352,121	\$ 651,134

County of Gladwin, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2018

	2017 Tax Revolving	2012 Tax Revolving	2013 Tax Revolving	2014 Tax Revolving	2015 Tax Revolving	2016 Tax Revolving	Totals
Cash Flows From Operating Activities:							
Cash Received from Customers	\$ 1,026,802	\$ -	\$ -	\$ 9,258	\$ 5,883	\$ 298,248	\$ 1,340,191
Cash Paid to Vendors	(8,907)	-	-	-	(2,601)	(22,013)	(33,521)
Cash Paid to Other Funds	(150,000)	-	150,000	-	-	-	-
Net Cash Provided (Used) by Operating Activities	867,895	-	150,000	9,258	3,282	276,235	1,306,670
Cash Flows From Noncapital Financing Activities:							
Operating Transfers Out	-	(36)	(234,432)	(414,561)	(386,376)	-	(1,035,405)
Net Cash Provided (Used) by Non-Capital Financing Activities	-	(36)	(234,432)	(414,561)	(386,376)	-	(1,035,405)
Cash Flows From Capital and Related Financing Activities:							
Principal Payments	(845,000)	-	-	-	-	-	(845,000)
Interest Payments	(5,050)	-	-	-	-	-	(5,050)
Net Cash Provided (Used) by Capital and Related Financing Activities	(850,050)	-	-	-	-	-	(850,050)
Cash Flows from Investing Activities:							
Interest on Deposits	99	-	52	247	488	384	1,270
Net Cash Provided (Used) by Investing Activities	99	-	52	247	488	384	1,270
Net Increase (Decrease) in Cash and Equivalents	17,944	(36)	(84,380)	(405,056)	(382,606)	276,619	(577,515)
Cash and Equivalents - Beginning of Year	55,171	36	84,380	405,056	382,606	62,111	989,360
Cash and Equivalents - End of Year	\$ 73,115	\$ -	\$ -	\$ -	\$ -	\$ 338,730	\$ 411,845
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	\$ 163,363	\$ -	\$ -	\$ 79	\$ (283)	\$ 57,857	\$ 221,016
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Change in Assets and Liabilities:							
(Increase) Decrease in Assets							
Receivables	854,532	-	-	9,179	2,558	204,083	1,070,352
Due From Other Funds	-	-	150,000	-	-	-	150,000
Due from Other Governmental Units	-	-	-	-	1,007	14,295	15,302
(Decrease) Increase in Liabilities							
Due to Other Funds	(150,000)	-	-	-	-	-	(150,000)
Net Cash Provided (Used) by Operating Activities	\$ 867,895	\$ -	\$ 150,000	\$ 9,258	\$ 3,282	\$ 276,235	\$ 1,306,670

County of Gladwin, Michigan**Combining Statement of Net Position
Fiduciary Funds
December 31, 2018**

	<u>Trust and Agency</u>	<u>Library Fund (Penal Fines)</u>	<u>Inmate Trust</u>	<u>Totals</u>
ASSETS:				
Cash and Equivalents	<u>\$ 325,031</u>	<u>\$ 4,470</u>	<u>\$ 37,807</u>	<u>\$ 367,308</u>
LIABILITIES:				
Due to Other Governmental Units	\$ 46,691	\$ 4,470	\$ -	\$ 51,161
Due to Individuals and Agencies	<u>278,340</u>	<u>-</u>	<u>37,807</u>	<u>316,147</u>
TOTAL LIABILITIES	<u>\$ 325,031</u>	<u>\$ 4,470</u>	<u>\$ 37,807</u>	<u>\$ 367,308</u>

**Combining Balance Sheet
Component Unit - Drainage Districts
December 31, 2018**

	Debt Service		Capital Project Funds					Totals
	Drain	Revolving Drain	Storm Water Management	Chappel Dam Construction Fund	Lake Level	Chappel Dam Debt Retirement	Lake Improvement	
ASSETS:								
Cash and Equivalents	\$ 417,454	\$ 26,808	\$ 7,054	\$ -	\$ 92,563	\$ 199,597	\$ 120,516	\$ 863,992
Receivables	212,380	-	-	-	365,630	590,354	367,249	1,535,613
Special Assessments	44,855	59,310	-	55,500	-	-	-	159,665
Due from Other Funds								
TOTAL ASSETS	\$ 674,689	\$ 86,118	\$ 7,054	\$ 55,500	\$ 458,193	\$ 789,951	\$ 487,765	\$ 2,559,270
LIABILITIES:								
Due to Other Funds	\$ 84,165	-	\$ -	\$ -	\$ 60,500	\$ -	\$ 15,000	\$ 159,665
Due to Other Governmental Units	18,382	6,300	-	-	33,096	-	-	57,778
TOTAL LIABILITIES	102,547	6,300	-	-	93,596	-	15,000	217,443
DEFERRED INFLOWS OF RESOURCES:								
Unavailable Revenue	212,380	-	-	-	365,630	590,354	367,249	1,535,613
FUND BALANCES:								
Restricted for Debt Service	-	-	-	-	-	199,597	-	199,597
Committed for Capital Improvements	359,762	79,818	7,054	55,500	(1,033)	-	105,516	606,617
TOTAL FUND BALANCES	359,762	79,818	7,054	55,500	(1,033)	199,597	105,516	806,214
TOTAL LIABILITIES, DEFERRED INFLOWS RESOURCES, AND FUND BALANCES	\$ 674,689	\$ 86,118	\$ 7,054	\$ 55,500	\$ 458,193	\$ 789,951	\$ 487,765	\$ 2,559,270

County of Gladwin, Michigan

Reconciliation of the Combining Balance Sheet to the Statement of Net Position - Component Unit - Drainage Districts December 31, 2018

Total fund balances - governmental funds \$ 806,214

Amounts reported for the governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

Capital assets, net 1,388,405

Long-term receivables are not available to pay for current period expenditures
and therefore are not available in the funds. They consist of:

Special Assessments 1,535,613

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds. Long-term
liabilities at year end consist of the following:

Notes payable	(885,000)	
Accrued interest payable	(4,140)	
	<u>(889,140)</u>	(889,140)

Net position of governmental activities \$ 2,841,092

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Component Unit - Drainage Districts
For the Year Ended December 31, 2018**

	Debt Service		Capital Project Funds					Totals
	Drain	Revolving Drain	Storm Water Management	Chappel Dam Construction Fund	Lake Level	Chappel Dam Debt Retirement	Lake Improvement	
REVENUES								
Special Assessment Interest	\$ 98,461 395	- -	\$ 700 7	\$ - 3	\$ 19,546 98	\$ 172,045 335	\$ 343,440 284	\$ 634,192 1,122
Total Revenues	98,856	-	707	3	19,644	172,380	343,724	635,314
EXPENDITURES								
Public works	71,826	-	-	836	64,620	750	372,737	510,769
Debt Service	-	-	-	-	-	349,865	-	349,865
Total Expenditures	71,826	-	-	836	64,620	350,615	372,737	860,634
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,030	-	707	(833)	(44,976)	(178,235)	(29,013)	(225,320)
FUND BALANCES, BEGINNING OF YEAR	332,732	79,818	6,347	56,333	43,943	377,832	134,529	1,031,534
FUND BALANCES, END OF YEAR	\$ 359,762	\$ 79,818	\$ 7,054	\$ 55,500	\$ (1,033)	\$ 199,597	\$ 105,516	\$ 806,214

County of Gladwin, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of to the Statement of Activities Component Unit - Drainage Districts For the Year Ended December 31, 2018

Net changes in fund balances - total governmental funds \$ (225,320)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation Expense	(32,288)	
Excess of depreciation expense		(32,288)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Unavailable Revenue	422,072
---------------------	---------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowing increase long-term liabilities in the statement of net position.

Change in accrued interest payable	1,381	
Note principal retirement	290,000	
		291,381
Changes in net position of governmental activities	\$	455,845

County of Gladwin, Michigan**Combining Balance Sheet
Component Unit - Board of Public Works
December 31, 2018**

	Public Works	Gladwin City 1996 Water/Sewage Debt	Gladwin City 1996 Water/Sewage Debt	Totals
ASSETS:				
Cash and Equivalents	\$ 161,573	\$ 1	\$ -	\$ 161,574
TOTAL ASSETS	<u>\$ 161,573</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 161,574</u>
FUND BALANCES:				
Restricted for:				
Debt Service	-	1	-	1
Capital Projects	161,573	-	-	161,573
TOTAL FUND BALANCES	<u>161,573</u>	<u>1</u>	<u>-</u>	<u>161,574</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 161,573</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 161,574</u>

County of Gladwin, Michigan

Reconciliation of the Combining Balance Sheet to the Statement of Net Position - Component Unit - Board of Public Works December 31, 2018

Total fund balances - governmental funds \$ 161,574

Amounts reported for the governmental activities in the statement of net position
are different because:

Long-term receivables are not available to pay for current period
expenditures and therefore are not reported as assets in the funds.

Deferred portion of leases receivable 197,941

Long-term liabilities are not due and payable in the current period and
therefore are not reported as liabilities in the funds.

Direct obligations	(195,000)	
Accrued interest payable	<u>(2,941)</u>	
		<u>(197,941)</u>

Net position of governmental activities \$ 161,574

County of Gladwin, Michigan**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Component Unit - Board of Public Works
For the Year Ended December 31, 2018**

	Public Works	Gladwin City 1996 Water/Sewage Debt	Gladwin City 1996 Water/Sewage Debt	Totals
REVENUES:				
Intergovernmental	\$ -	\$ 101,262	\$ -	\$ 101,262
Interest on Investments	-	1	-	1
Total Revenues	-	101,263	-	101,263
EXPENDITURES:				
Debt Service	-	102,830	6	102,836
Total Expenditures	-	102,830	6	102,836
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,567)	(6)	(1,573)
FUND BALANCES, BEGINNING OF YEAR	161,573	1,568	6	163,147
FUND BALANCES, END OF YEAR	<u>\$ 161,573</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 161,574</u>

County of Gladwin, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities Component Unit - Board of Public Works For the Year Ended December 31, 2018

Net changes in fund balances - total governmental funds \$ (1,573)

The change in net position reported for governmental activities in the statement of activities is different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Change in leases receivable (176,012)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowing increase long-term liabilities in the statement of net position.

Bond principal retirement 90,000

Some items reported in the statement of activities require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable 3,474

Changes in net position of governmental activities \$ (84,111)

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Gladwin County
Gladwin, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gladwin, Michigan, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County of Gladwin, Michigan's basic financial statements and have issued our report thereon dated June 13, 2019. Our report includes a reference to other auditors who audited the financial statements of the Gladwin County Road Commission and Gladwin City-County Transit, as described in our report on the County of Gladwin, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Gladwin, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Gladwin, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Gladwin, Michigan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Commissioners
Gladwin County

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompany schedule of findings and responses that we consider to be significant deficiencies listed as 2018-001 and 2018-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Gladwin, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2018-001.

County of Gladwin, Michigan's Response to Findings

The County of Gladwin, Michigan's responses to the finding identified in our audit are described in the accompanying schedule of findings and responses. The County of Gladwin, Michigan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 13, 2019

County of Gladwin, Michigan

Schedule of Findings and Responses For the Year Ended December 31, 2018

Significant Deficiencies – Noncompliance with State Statutes

Excess Expenditures Over Appropriations

Finding 2018-001

Condition: Our examination indicated instances of noncompliance with the provisions of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act.

The County's 2018 General Appropriations Act (budget) provided for expenditures of the following funds to be controlled to the activity level. During the fiscal year ended December 31, 2018, expenditures were incurred in excess of amounts appropriated in the amended budgets.

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act.

During the year ended December 31, 2018, the County incurred expenditures in certain budgetary funds, which were in excess of the amount appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Emergency Medical Services Fund:			
Health and Welfare	\$ -	\$ 683,791	\$ (683,791)
Senior Citizens Program:			
Health and Welfare	\$ -	\$ 529,014	\$ (529,014)
E 911 Millage Fund:			
Transfers to Other Funds	\$ -	\$ 817,216	\$ (817,216)

Effect: The County has not complied with State Statutes.

Cause: A budget was not adopted for the Emergency Medical Services or Senior Citizens Program funds prior to the beginning of the fiscal year.

Recommendation: The County should follow the State Law that requires County Governmental Funds have budgets for its funds approved before the fiscal year commences.

Management's Response – Corrective Action Plan: Management does monitor budgets closely and perform budget amendments on a timely basis. We will work to implement budget amendments as soon as information becomes available to us; however, because the budgets lapse at year end amendments can only be made as information becomes available.

- **Contact Person(s) Responsible for Correction:**
Sharron Smith, Chairman

Significant Deficiencies

Cash Reconciliations

Finding 2018-002

Condition: Our examination of procedures used by the County to reconcile cash balances revealed the following instance of noncompliance with the Michigan Department of Treasury's Accounting Procedures Manual.

During the fiscal year ended December 31, 2018, that one of the county bank accounts had no cash reconciliations performed at any point throughout the year.

Criteria: The lack of completing cash reconciliation for each cash account held by the county within six weeks of month end are contrary to the Michigan Department of Treasury's Accounting Procedures Manual.

Effect: The County has not complied with the Michigan Department of Treasury's Accounting Procedures Manual.

Cause: Unknown

Recommendation: We recommend that the County personnel responsible for administering the activities of the various funds of the County, develop cash reconciliation control procedures, which will assure that cash reconciliation are complete monthly in a timely fashion.

Management's Response – Corrective Action Plan: Management has agreed to correct the problem by making an effort to complete all reconciliation in a timely manner.

- ***Contact Person(s) Responsible for Correction:***
Jamie Raymond, Friend of the Court Administrator



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Commissioners
Gladwin County
Gladwin, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gladwin, Michigan for the year ended December 31, 2018, and have issued our report thereon dated June 13, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated April 27, 2017 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the County of Gladwin, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis, schedule of funding progress, and budgetary comparison schedules, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on combining fund financial statements, which accompany the financial statements but are not RSI. Our responsibility for this other information, as described by professional standards, is to evaluate the presentation of the other information in relation to the financial statements as a whole and to report on whether the other information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters dated April 30, 2019.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Gladwin, Michigan are described in Note 1 to the financial statements. One new accounting pronouncement was adopted regarding GASB statement number 75 and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate to determine that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be zero.
- Management's estimate of the Annual Required Contribution for OPEB Obligations and net pension liability were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.
- Management's estimate of the vested employee benefits is based on current hourly rates and policies regarding payment of sick and vacation banks.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 13, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

Year End Accruals (Prior Year)

It was noted during our review of accounts receivable at year end that multiple accounts had stale prior year balances and unrecorded or unadjusted current year receivables. We recommend that accounts receivable be reviewed at year end to ensure that all amounts are accurately reported.

Status: Partially corrected some year end accruals were recorded at the time of the audit for 2018.

Uniform Administrative Requirements (Prior Year)

As a precondition to receive federal funds, prospective recipients must have effective administrative and financial internal controls. The Uniform Guidance requires *written* policies and procedures regarding:

- Cash Management – Section 200.302(b)(6) payment procedures
- Allowability of Costs – Section 200.302(b)(7) in accordance with Subpart E – Cost Principals
- Conflict of Interest – Section 200.318(c) covering standards of conduct
- Procurement – Section 200.319(c) for purchasing
- Method of Conducting Technical Evaluations – Section 200.320(d)(3) regarding proposals
- Travel Reimbursement – Section 200.474(b) regarding travel expenses

Written policies should include provisions for training and consequences for violations of policies. The County should review its current written policies for compliance with the above requirements regarding federal awards and amend as necessary.

Status: Corrected

Budgets (Prior Year)

A budget was not adopted for the Emergency Medical Services or Senior Citizens Program funds prior to the beginning of the County's fiscal year. State law requires that County's Governmental funds follow the State's prescribed timetable in having budgets for its funds approved before the fiscal year commences.

Status: No change.

Long Outstanding Checks

It was noted in our review of bank reconciliations there are multiple checks that are over one-year delinquent. We recommend that the County follow the State of Michigan's Unclaimed Property Act (Act 29 of 1995) for all unclaimed property to ensure compliance with State statutes.

Bank Statements

During our review of bank balances, it was noted that the general ledger does not have all cash accounts that are in the County's name reflected in its records. We recommend that all bank accounts that are in the name of the County name be recorded in the General Ledger.

It was also noted that during our review that one bank statement under the county control was not under the County Treasurer as required by statute. We recommend that all accounts be under the control of the County Treasurer as the Michigan Department of Treasury's Accounting Procedures Manual requires.

Single Approach for Reporting Leases

The Governmental Accounting Standards Board (GASB) issued guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The single approach is based on the principle that leases are financing of the right to use an underlying asset.

GASB Statement No. 87, *Leases*, provides guidance for lease contracts for nonfinancial assets – including vehicles heavy equipment, and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets.

Under the new Statement, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements.

A lease also will report the following in its financial statements:

- Amortization expense for using the lease asset (similar to depreciation) over the shorter of the term of the lease or the useful life of the underlying asset.
- Interest expense on the lease liability.
- Note disclosures about the lease, including a general description of the leasing arrangement, the amount of the lease assets recognized, and a schedule of future lease payment to be made.

Limited exceptions to the single-approach guidance are provided for:

- Short-term leases, defined as lasting a maximum of 12 months at inception, including any options to extend.
- Financial purchases.
- Certain regulated leases, such as between municipal airports and air carriers.

The full text of Statement 87 is available on the GASB website, www.gasb.org.

GASB 84 – Fiduciary Activities

Effective 12/15/2019 (your FY 2019)

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Due to the number of specific factors to consider, management should assess the degree to which this standard may impact the County.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining fund financial statements, which accompany the financial statements but are not RSI. With respect to this other information, we made certain inquires of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Conclusion

This information is intended solely for the information and use of the Board of Commissioners, management, federal and state awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Anderson Tackman & Co. PLC".

**Anderson Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan**

June 13, 2019